

Personal & Confidential.



H M Treasury

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D.15.

A N Ridley
Special Adviser

May 17. 1983

Dear Ian,

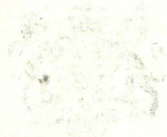
We agreed it might be helpful if I let you have some notes which the PM might draw on when launching the Manifesto at tomorrow's press conference. Here they are, not very polished for obvious reasons, but I hope of use as, at least, a stimulus if nothing else.

These notes are in several parts, which look lengthier than they really are:

- (1) a few introductory points
- (2) a very brief summary of main points & interesting secondary issues, which might serve as a starting point for a quick guided tour of the kind which is probably needed.
- (3) Some material on difficult questions.
- (4) Some supporting documents, which the PM might like to look at or refer to.

I have not had time to study our CRO briefing on Labour or Alliance proposals, & have made few references to them, assuming that they will for the most part suggest themselves.

One note of warning. Labour have proposed so many things at different times that one can scarcely talk unequivocally about their proposals; & in turn they call some things of short term priority, & others for longer term implementation.



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This is as much a weakness as any other part of the substance of what they propose. & is already causing them trouble, as is born out by the significant mismatch of the pledge to raise pensions soon to match the increases under the graduated scheme, which has already been spotted in their HFO as compared with "No hope".

This is particularly true of their social security proposals, and I am attaching interesting backgrounds on them, including a Tsq. costing which well illustrates the staggering absurdity of what they are promising.

However one needs to be very careful that one does not use such material in a way which drags us down into trivia & fine print on a day when it should be high on the issues!

Yours ever

Adam.

I am copying this to the Chancellor only

~~Confidential~~

I. INTRODUCTORY POINTS

1. The only serious MFO, not for the first time.

Practical
Honest
~~Realistic~~
Realistic.

Realistic, honest, based on a cautious assessment of what we can achieve.

We should be able to do better, now economic recovery is under way.

2. Serious, in particular, because

- all spending commitments have been carefully costed [H.M.T. have vetted them all], and they are all included in the last White Paper plans;
- tax proposals are compatible with MTFS and our plans to continue to lower PSBR.

3. The MFO of a united party.

No question of acrimonious last-minute disputes.

[? stress interesting point that there was no talk of wet/dry battles in its preparation].

4. The MFO embraces the proposals of each colleague for his area of responsibility.

No question of wild ideas from above or outside.

[It could be worth adding, to anticipate possible questions, that MFO does not take on board the recommendations of the 9 policy groups. The election was called too soon after they reported for us to have studied/discussed, agreed what to pursue.

But they will remain very much on the table as post-election agenda.]

II. POINTS FOR A QUICK REVIEW OF THE MANIFESTO AND ITS HIGH-LIGHTS

The following schematic notes pick out major and some interesting minor proposals in each main area.

1. TRADE UNIONS pp. 11,12.

Widely supported proposals, as polls show.

Not violent, sudden, revolutionary.

Will give those involved ample time to put their house in order first if they wish.

Note particularly, perhaps, the ingenious proposals for essential services, a difficult area.

2. NATIONALISED INDUSTRIES, pp 15,16,17.

? Underline point that "old illusions have melted" (Last para p.15).

? Note list of candidates for privatisation on p.16.

3. TAXES & PE pp. 10,18,19,32.

Perhaps underline here that, unlike others, we stick to honest, prudent, but realistic general commitment to carry on the good work (Middle paras, p.19).

4. AGRICULTURE pp. 22,23.

Demonstrates well "by their deeds shall ye know them". Mr Walker's latest triumph on food prices at Brussels, promising 0.1% RPI increase this year after less than 1% last, sets seal on our proven achievement.

What price the Common Fishing Agreement if we leave the EC?

5. HOUSING

Further impetus to our programme of true ownership in improved right-to-buy proposals.

6. SOCIAL SECURITY pp. 26,27.

Underline unequivocal price pledge in second para p.26.

Note that we are going to examine, prudently, the private pensions problems of portability, early leavers, etc.

Note also Labour's unbelievable cornucopia of pledges is at its most preposterous in this area. [See Flags C onwards.] Allied to that their significant omission of any pledge on the earnings rule, our only social security pledge, where we undertake to complete a task for which we had no resources so far, tho' it was a 1979 commitment to abolish in the life-time of a Parliament.

7. HEALTH

Our commitment to continuing to improve standards well illustrated by MFO details on hospital building. PEWP proposals for NHS capital spending to continue at high level (in real terms).

Our exceptional record of improvements 1979-83 deserves great underlining, given consistent evidence that general public believes we have cut spending and worsened services. Labour's continuing vendetta against private medicine would significantly reduce total health care available.

8. EDUCATION pp. 29.30.

Secretary of State for Education has limited direct powers. Our proposals show we will use them to the full to improve standards of teaching, curriculum, examination, inject real useful training into schools, and prepare people for real jobs and meeting industry's needs in a modern economy. [? pre-emptive comments on Vouchers, Loans].

? Note here implausible, infeasible commitments of other parties to gigantic expansion of training/schooling for 16-18 year olds.

Problems not only cost but administration.

Also extremely costly proposals for educational maintenance allowances.

9. LAW & ORDER ETC. pp. 33-35.

A record of good work done; and a pledge to continue it. ? Refer to promised action on Obscene Video, Jury disqualification.

10. RATES & IA STRUCTURE. pp. 36,37,39.

Tow major proposals: on rate limitation; and abolition

of GLC, London Transport, ILEA, Metropolitan Counties.
(You may wish to stress the latter rather than the former).
Perhaps also worth underlining commitment to more
contracting-out.

11. ENVIRONMENT, ANIMALS ETC.

Recall almost all major reforms here have been Conservative,
for decades: Green belts, Clean Air, etc.

We're carrying on that tradition by effective action.

Others talk more but do little.

Note important proposals on Animal Welfare (p.40) and taking
lead out of petrol (p.40,41).

We're the real green party.

12. DEFENCE AND FOREIGN AFFAIRS

Little detailed comment called for.

But clearly important to underline how this complex of
issues has returned to the centre of the stage.

As well as touching on Defence, ? underline reference to
possible job losses if we leave EC in last para, p.44.

[This is a CBI estimate, rounded down cautiously].

III POSSIBLE AWKWARD POINTS

TAXES

1. You promise more tax cuts. But why should we believe this when the tax burden has actually risen?

(1) We have fulfilled our 1979 MFO promises.

Have you ever looked at them? [Almost no one has.]

FLAG A

Key pledges are on p.13 of 1979 MFO.

We cut income tax -

- basic rate from 33% to 30%
- higher rates from 98% to 83%, at top
- ICS
- raised tax thresholds significantly in real terms.

[N.B. our only failure has been to tackle poverty trap.]

(2) Share of income devoted to income tax (excluding NICs) has fallen for nearly all earners under this Government. Figures are at §3 of Flag B.

FLAG B

(3) Under this Government real take-home pay has risen substantially for all groups in work even when NICs are taken into account. See §4 at Flag B.

FLAG B

(4) Of course share, or burden, of tax and NIC has risen (as PQs have shown) and we would rather it had fallen. But this is actually the praiseworthy by-product of honouring our social security pledges; and helping industry by diverting needed NIC increases onto pay rather than profits.

Who could criticise that?

(5) Simple point: is anyone seriously suggesting we are the party of high tax - that income taxes will be higher, allowances lower, or business taxes higher under our opponents?

JOBS

2. This MFO says nothing about long term job prospects. Do you see unemployment falling if you win the election?

Foolish to make LT promises about jobs at so uncertain a time.

- much depends on world recovery;
- much depends on efforts, commonsense of entrepreneurs, Unions, ordinary people.

But it is clear that:

- doom-mongers are too pessimistic. If they'd been

around what would they have said of the job losses of the 19th Century? Fuller employment is attainable.

- our policies the only way to get the maximum expansion of real job opportunities.

Other points which could arise are:

Law and Order - who no success? [Pass to Mr Whitelaw!]

Educational Loans and Vouchers - abandoned, or merely in abeyance?

Radical plans for dismantling welfare state - still being examined?

Changes in machinery of Govt. - what about Hoskyns ideas (asked again in Monday's panorama)?

Bretton Woods - Why no grand plan to resurrect world economy?

BACKGROUND MATERIAL.

- A. Key Tax Pledges from '79 MFO
- B. BACKGROUND STATISTICS ON TAX BURDEN.
- C. MR FOOT'S 12 POINT PLAN FOR PENSIONERS
- D. BRYNMAOR JOHN'S DARLINGTON PLEDGET ON SOCIAL SECURITY
- E. TREASURY COSTINGS OF LABOUR SOCIAL SECURITY PROPOSALS.
- ~~F. INDICATORS OF ECONOMIC RECOVERY.~~
- F. MR FAWLER'S LETTER TO JEFF RITKER CHALLENGING LABOUR'S COSTINGS
- G. INDICATORS OF ECONOMIC RECOVERY.

1979 Conservative Manifesto

3. A more prosperous country

LABOUR HAVE GONE to great lengths to try to conceal the damage they have done to the economy and to our prospects of economic expansion. Even in the depression of the 1930s the British economy progressed more than it has under this Labour government. Their favourite but totally false excuse is that their appalling record is all due to the oil crisis and the world-wide economic depression. Yet since the oil crisis, despite our coal, and gas and oil from the North Sea, prices and unemployment in Britain have risen by more than in almost any other major industrial country. And output has risen by less. With much poorer energy supplies than Britain, the others have nonetheless done much better—because they have not had a Labour government or suffered from Labour's mistakes.

To become more prosperous, Britain must become more productive and the British people must be given more incentive.

CUTTING INCOME TAX

We shall cut income tax at all levels to reward hard work, responsibility and success; tackle the poverty trap; encourage saving and the wider ownership of property; simplify taxes—like VAT; and reduce tax bureaucracy.

It is especially important to cut the absurdly high marginal rates of tax both at the bottom and top of the income scale. It must pay a man or woman significantly more to be in, rather than out of, work. Raising tax thresholds will let the low-paid out of the tax net altogether, and unemployment and short-term sickness benefit must be brought into the computation of annual income.

The top rate of income tax should be cut to the European average and the higher tax bands widened. To encourage saving we will reduce the burden of the investment income surcharge. This will greatly help those pensioners who pay this additional tax on the income from their life-time savings, and who suffer so badly by comparison with members of occupational or inflation-proofed pension schemes.

BURDEN OF TAXES, 1973/4 TO 1978/9 and 1978/9 TO 1983/4 COMPARED

I have attempted to draw together the key statistics, using figures provided by Mr Aaronson and Mr Smith in their minutes to me of April 26 and May 6, of which copies are attached. The 1983/4 figures are obviously forecasts, *assuming our budget proposals are correct.*

1. The Aggregate Tax Burden

The key figures are, as a % of GDP.

	<u>Total Taxes & NIC</u>	<u>Taxes less NIC</u>
73/4	33½%	28%
78/9	34½%	28½%
83/4	39½%	32½%

This shows the total tax burden rose by more under this Government than under Labour;

- leaving out the growth in NICs only makes a small difference of ½% to 1% in share over each period.

2. Share of income devoted to income tax and NICs at different income levels.

The combined share in sample incomes has changed as follows over the 2 Governments:

<u>SINGLE PERSON</u> <i>(or earning wives)</i>	<u>½</u>	<u>¾</u>	<u>1</u>	<u>1½</u>	<u>2</u>	<u>5</u>
Ave Earnings X						
Labour	2.6	3.2	3.7	4.1	4.4	12.3
Conservative	3.2	2.0	1.3	0.9	0.2	7.4
* <u>MARRIED. NO CHILDREN</u>						
Labour	-0.1	1.5	2.3	3.1	3.4	11.5
Conservative	3.9	2.4	1.6	1.1	0.2	7.0
* <u>MARRIED, 2 CHILDREN</u>						
Labour	-1.9	0.3	1.4	2.6	2.7	11.9
Conservative	3.2	2.0	1.4	0.9	0.2	6.8

This shows that:

- the burden of income and taxes and NIC went up considerably less under this Government than under Labour for almost all taxpayers (those around ½ average earnings were the exception. However it must be noted that they constitute a large fraction of total tax payers - perhaps approaching ½)

* Wife assumed not to be working in this & later tables

3. Share of income devoted to income tax alone at different income levels.

The income tax share changed as follows over the two Govts:

Average Earnings X	$\frac{1}{2}$	$\frac{3}{4}$	1	$1\frac{1}{2}$	2	5
<u>SINGLE PERSON</u>						
Labour	2.9	2.9	3.0	3.0	3.6	11.9
Conservative	0.7	-0.5	-1.2	-1.8	-1.8	-8.1
<u>MARRIED, NO CHILDREN</u>						
Labour	0.2	1.1	1.6	2.1	2.5	11.2
Conservative	1.4	-0.1	-0.9	-1.5	-1.8	-7.9
<u>MARRIED, 2 CHILDREN</u>						
Labour	-1.6	-0.1	0.7	1.5	1.9	11.6
Conservative	0.8	-0.5	-1.1	-1.7	-1.8	-7.6

This shows that in all cases but one (married couples without children on about $\frac{1}{2}$ ave earnings) the income tax burden grew much slower under this Govt than under Labour; indeed it fell for nearly all family types considered under this Govt., while it rose for nearly all family types under Labour.

4. Real net incomes.

As is well known, the increases in tax burden on some definitions are due in large part to the fact that real incomes have grown more quickly under this Govt. than under Labour.

Thus on average, for those in work:

<u>REAL NET TAKE-HOME PAY (RTHP)</u>							
<u>LABOUR</u>	Earnings	Average*	x $\frac{1}{2}$	$\frac{3}{4}$	1	2	5
Single		- 2.9	-1.1	-2.2	-2.9	-4.1	-18.7
Married, no children		- 0.8	2.4	0.3	-0.8	-2.5	-17.1
Married, 2 children		+ 0.5	4.3	2.0	0.5	-1.5	-17.1
<u>CONSERVATIVES</u>							
Single		+5.5	2.9	4.4	5.3	7.1	24.1
Married, no children		+4.9	2.5	4.0	4.9	7.1	22.9
Married, 2 children		+5.5	3.9	4.8	5.5	7.2	24.7

This shows that:

- RTHP fell under Labour for nearly all on average earnings or above
- rose substantially for all the family types considered under this Govt., and in all cases grew faster than under Labour.

AR

A N RIDLEY

* Source: Hansard WA 1983. May 6 Col.163.

C

Labour's 12-Point Plan for Pensioners

Mr Foot. 1 March 1983

A pledge that "pensioners should share as of right" in Britain's future prosperity, was made today by the Rt. Hon. Michael Foot, Leader of the Labour Party, when he met a delegation from the National Pensions Convention, Mr. Foot also said that a Labour Government would reverse Tory policy which had ended the earnings link with pensions and cost a single pensioner £1.45 a week and a married couple £2.25 a week "at the first opportunity."

Mr. Foot told the delegation of a 12-point plan for pensioners which will, among other items, double the Christmas bonus to at least £20, give a TV licence to pensioners free of charge, and increase the death grant from £30 to £200.

The 12-point plan also spelled out Labour's longer-term plans for pensioners.

Labour's 12-point plan is as follows:

1. Ending of the earnings link by the Tories has cost a single pensioner £1.45 a week and a married couple £2.25. We shall make this good at the first opportunity.
2. We believe that pensioners should share as of right in future prosperity. We shall again link pensions and average earnings.
3. Our longer-term commitment is to achieve total state retirement pensions of not less than one third of gross average earnings for a single person and one half gross average earnings for a married couple. The new pension scheme introduced by the last Labour Government will achieve this target for future pensioners when it comes to maturity. Our immediate priority will be to improve the position of today's pensioners who will not benefit from this scheme.

4. We shall double the Christmas bonus to at least £20.
5. We shall align the Age Allowance with pension age. This means that women will become eligible for the Age Allowance at 60 instead of the present age of 65.
6. We shall begin the progressive reduction of men's retirement age to 60.
7. We shall introduce a Pension Schemes Act which will more adequately protect occupational pensioners from the effects of inflation than they are at present.
8. Our aim is to reduce dependence on means-tested benefits by improving the retirement pension. But for those who still need a supplementary pension we shall reform the harsh supplementary benefit rules introduced by the Tories. We shall return to a sliding scale for assessing capital.
9. We shall increase the death grant from £30 to £200 and pay it in respect of all deaths.
10. The present Government has been responsible for making fuel costs the biggest burden pensioners have to face. Our aim will be to ensure that no pensioner has to go short of the heating they need.
11. We shall give a TV licence to pensioners free of charge.
12. In areas where concessionary travel on local transport does not yet exist, we shall bring in a nationwide, off-peak, half-fares scheme for pensioners.

The office of the
Leader of the Opposition,

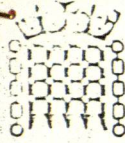
March 1, 1983

D

3/11/73
please cost

Mr. D. Jones
Max Street (for ...)
Adam Ridley, HMCT.
Mr. Hobson.

RYNHAR JOHN
DARLINGTON
PLEDGES



HOUSE OF COMMONS
LONDON SW1A 0AA

C. H. Morgan

~~H. S. ...~~ CPK.
1973

PRESS RELEASE
EMBARGOED UNTIL 10.00 AM, WEDNESDAY 9 MARCH
FROM: RYNHAR JOHN MP, Labour Spokesman on Social Security

STATEMENT AT DARLINGTON BY-ELECTION PRESS CONFERENCE

My reason for thinking that Darlington should return the Labour candidate is my concern for the future of the Welfare State and in particular social security.

Let me clear up two misconceptions.

(a) The first is that social security benefits are for the minority who are unfortunate, handicapped or misfits. In fact, though that is worthwhile, it ignores the fact that over half of the population of this country are in weekly receipt of such payments. The two largest categories are, of course, the thirteen million children in respect of whom seven million mothers receive Child Benefit, and the nine million people who receive retirement pensions. There is hardly a household in Darlington which is not concerned in some way with the social security system.

(b) Secondly, people approve of the Welfare State, but they are unfortunately complacent about its continued existence. Let no-one be under any misapprehension - that is not accepted by radical Tories of the type represented by the Conservative candidate in this by-election, nor by the Government with its Think Tank report and its talk of greater private responsibility for pensions and for families. I warn people that the continuation of Thatcherism will mean a vast change for the worse for the Welfare State at the very time when it should be evolving and strengthening so as to tackle the growing poverty in this country.

How the Tories have penalised families:

They have increased the burden of direct taxation. In 1978-79 a married man on average earnings with a wife (not working) and two children paid 21.2% of his income in income tax and national insurance. By 1982-83 this proportion had risen to 23.3% - up by a tenth.

If the same man had been on only three-quarters of average earnings, he would have paid 15.1% of his income in income tax and national insurance in 1978-79. By 1982-83 this would have risen to 18.1% - up by a fifth.

Only those with incomes well above the average have benefited from the Tory tax cuts.

They have increased the burden of indirect taxation. In his first Budget Sir Geoffrey Howe increased VAT from 8% to 15%, at which level it remains today.

They have cut the real value of child benefit. The Tories failed to increase child benefit in November 1979. Never since has it been worth as much in real terms as it was at the last election. At the end of this week a 2-child family will have lost a total of £148 over the period since November 1979 because of this failure.

They have cut benefits to those who have lost their jobs, as well as vastly increasing the number in this situation. The value of unemployment benefit was cut by 5% in 1980. This cut has not been restored even though the benefit is now taxed. The earnings-related supplement to unemployment benefit has been abolished completely - which has meant a loss of £11.60 a week to a newly unemployed person who was formerly on average earnings.

Many more children are now living in poverty. Over a million children are today living in families whose head is unemployed

and dependent on benefit. 1.7 million children are living in families dependent on supplementary benefit.

They have ended the link between pensions and average earnings. Pensions used to go up in line with earnings or prices, whichever increased most in the year. Now they are tied to prices only. This has deprived a single pensioner of £1.45, a married couple of £2.25 a week.

What Labour would do in social security:

- * No clawback at this year's benefit uprating ✓
- * Increase child benefit by £2 a week at today's prices ✓
- * Raise the maternity grant to at least £100
- * More help for single parent families
- * Make good the 5% cut in unemployment benefit ✓
- * Restore an earnings-related supplement to unemployment benefit ✓
- * Pay better benefits to the long-term unemployed ✓
- * Link pensions and other benefits to average earnings
- * Give pensioners what they have lost because the Tories ended the earnings link ✓
- * Double the Christmas bonus to £20 ✓
- * Raise the death grant to £200 ✓
- * Abolish the 'household duties test' for disabled married women
- * Extend the invalid care allowance to married women caring for disabled or elderly relatives ✓
- * Improve the take-up of benefits through better information and advice

It may be said that there is always a fall back, namely the Alliance which it might be argued has its heart in the same place as the Labour Party. But there is a phrase: 'Handsome is as handsome does'. We have a Bill going through Parliament called the Health and Social Services and Social Security Adjudications Bill. On the Committee the Alliance has two representatives out of a total of eight for the Opposition.

These two have been absent for most of the time. They have voted not at all and have spoken not at all. To kill the Welfare State you do not need enemies. Indifferent friends like these are more than enough.

For further information: 01-219 3606/3594

E

EXTRACT FROM TREASURY BOSTING
OF LABOUR SOC SEC PROPOSALS

Social Security Measures:

Para 67
Paras 71-64
Para 75
Para 76
Para 77
Para 78
Para 64

(circled 6M4)
Fair Shares (part)
Helping Families (parts)
New Deal for Pensioners
Help for the Unemployed
Help for the Disabled
A Fairer Benefit System
A Better Deal for Women (parts)

The Proposal

ST1 Division have identified 42 items, of which the expenditure or revenue costs of some 33 can be quantified: the others are too vaguely worded to cost, but could potentially be very expensive indeed. Comments on the proposals are contained in the annex, which follows a summary schedule.

The Labour Party have issued four documents containing various sets of social security proposals: Labour's Programme '82 (LP82), Mr Foot's Twelve Point Plan for Pensioners (12PP), Mr John's Darlington press release (D), and the Campaign Document itself. The Schedule shows which proposals were put forward in each document, and in addition tries to divide the proposals in the Campaign Document into long term aims (L) and proposals for immediate implementation (S).

The major proposals are:

Immediate

- i) £2 a week increase in child benefit;
- ii) £1.45/£2.25 a week increase in pensions;
- iii) extension of long term rate of supplementary benefit to unemployed;
- iv) abolition of upper earnings limit for national insurance contributions.

Long term

- i) increase pensions to $\frac{1}{2}$ average earnings;
- ii) reduce pension age to 60;
- iii) new cash benefit for the disabled.

Line to Take

- i) Proposals will raise hopes that cannot be fulfilled. Massive increases in expenditure required, requiring equally enormous increases in tax or NIC rates. Government policy to increase benefits at a rate the economy can sustain: over life of this Parliament pensioners and other beneficiaries more than protected

from inflation, child benefit will reach highest ever real level in variety of other improvements.

ii) A number of proposals (eg restoration of earnings-related Supplement to unemployment benefit, extension of long term rate of Supplementary benefit to unemployed) would worsen work incentives.

iii) Other proposals (raising the level of non-contributory invalidity pension to that of contributory invalidity pension) would erode the contributory principle of National Insurance at expense of taxpayer.

iv) Considerable confusion in Labour Party about status not only of their various documents, but also of proposals in the same document (Times article 6th April). Some proposals becoming long term rather than short term (free TV licences to pensioners, promise to restore loss to pensioners from breaking of link with earnings - Mr Shore suggested downpayment of one third only). Mr Foot and Mr Shore appear to disagree about costings of their proposals, with Mr Shore allowing £2000m while Mr Foot has said they will cost £3000m. Either way, their estimates grossly understate the real cost.

Fiscal Implications - Summary
(see Schedule for fuller particulars)

1. Labour Campaign Document

Costs £4 billion short term, £19-27 billion in long term. This includes cost of increasing pensions and other related long term benefits to one-third/half average earnings over long term, not specifically mentioned but pledged elsewhere. Excluding this reduces long term cost to £11-12 billion. Revenue proposals £0.7 billion short term, £3.7 billion long term.

2. Labour Programme '82

Costs £18-26½ billion. Revenue proposals £3.7 billion.

3. 12 Point Plan

Cost £12½-20 billion. No revenue proposals.
(Mr Fowler's letter to Jeff Rooker says £13-15 billion minimum)

4. Darlington

Cost £4 billion. No revenue proposals.

Overall Financial Assessment

At worst, the proposals in Labour's Campaign Document might increase expenditure on social security by £27 billion in the long term, an increase of some 78 per cent on the 1983-84 estimates.

11 Foots
12
point
plan
Bognor
John
at
Dahington

LABOUR CAMPAIGN DOCUMENT

EXPENDITURE (£million)	S Short Medium	L Long term e.m.s	LP82	12PP	D
Abolish Household Duties Test	275		275		275
Help 1 parent families	20		20		20
Maternity grant £100	50		50		50
Death grant £200	120		120	120	120
Child benefit up £2	1050		1050		1050
Long term child support		50	50		
Weekly payment child benefit	3		3		
Invalid Care Allowance extension	60		60		60
No "clawback"	180		180		180
Pensions up £1.45/2.25 a week	500		500	500	500
Uprating benefits with earnings/ prices	300		300	300	300
Pensions to $\frac{1}{3}/\frac{1}{2}$ average earnings		8-14000*	8-14000	8-14000	
Pension age 60		2500-4000	2500-4000	2500-4000	
Christmas bonus £20	106			106	106
No TV licences for pensioners		250		250	
Women age allowance at 60	80-90			80-90	
Half fares scheme for pensioners	100			100	
Heating help for pensioners	500			500	
Restore ERS on UB	135		135		135
Long term SB to unemployed	395		395		
Further improvements to UB		1100	1100		1100
£10 blindness allowance	65		65*		
Cash benefit for disabled		3-4000	3-4000		
NCIP raised to IVP level	60		60		
Restore 5% abatement IVP	60		60		
Help for disabled part time work	30-100		30-100		
Mobility allowance after 75		50			
Strikers to get SB	1		1		
SB capital rule changes	20		20	20	
"Widows" trap	3				
More staff in LOs	10				
Total (£billion)	4.1-4.2	15.0-23.5	18.0-26.5	12.5-20.0	3.9
REVENUE					
Abolish UEL	700		700		
Phase out MMTA		3000	3000		
Total (£billion)	0.7	3.0	3.7	-	-

* not specifically mentioned in particular document, but pledged elsewhere in specific terms: included in totals.



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

Jeff Rooker Esq MP
House of Commons
LONDON
SW1

20th March 1983

Dear Jeff,

LABOUR'S 12-POINT PLAN FOR PENSIONERS

You will remember that in the debate on the Budget I said that "A few days ago the Leader of the Opposition put forward his 12-point plan for pensioners. The cost of that plan would be between £10 billion and £20 billion a year". You said then you would like to know the basis of this calculation of cost. This I now set out.

As you will recall the Leader of the Opposition made 12 pledges.

Pledge 1

"Ending of the earnings link by the Tories has cost a single pensioner £1.45 a week and a married couple £2.25. We shall make this good at the first opportunity."

A pension increase of £1.45 for a single pensioner and £2.25 for a married couple would cost at least £500 million. However, if all other social security benefits were treated similarly (as indicated in Labour's Programme 1982) the sum would come out at £1,300 million a year.

Pledge 2

"We believe that pensioners should share as a right in future prosperity. We shall again link pensions and average earnings."

To restore for future years the link between pensions and average earnings would cost £115 million for each 1 per cent earnings rose above prices - £300 million a year if all benefits were covered. Given your position on wages I am sure you would agree that £300 million would be a very modest estimate. The prospect is, of course, that it will be very much more.

Pledge 3

"Our longer term commitment is to achieve total State retirement pensions of not less than one-third of gross average earnings for a single person and one-half gross average earnings for a married couple. The new pension scheme introduced by the last Labour Government will achieve this target for future pensioners when it comes to maturity. Our immediate priority will be to improve the position of today's pensioners who will not benefit from this scheme."

Concentrating therefore simply upon your immediate priority of improving the position of today's pensioners the cost of raising existing pensioners to one-third average earnings for a single person and one-half average earnings for a married couple would be about £8 billion; or £14 billion if other long term benefits (like widows' pensions and invalidity pensions) were increased pro-rata.

Pledge 4

"We shall double the Christmas bonus to at least £20."

That would cost £106 million.

Pledge 5

"We shall align the age allowance with pension age. This means that women will become eligible for the age allowance at 60 instead of the present age of 65."

That would cost between £80 to £90 million.

Pledge 6

"We shall begin the progressive reduction of men's retirement age to 60."

The net cost to public funds of fully implementing this pledge would be £2½ billion at 1981 benefit levels. But at the higher pension levels proposed above in your plan the cost would increase to over £4 billion.

Pledge 7

"We shall introduce a pension schemes act which will more adequately protect occupational pensioners from the effects of inflation than they are at present."

That of course is an extremely generalised pledge. But it is potentially an expensive one which could cost hundreds of millions of pounds.

Pledge 8

"Our aim is to reduce dependence on means-tested benefits by improving the retirement pension but for those who still need a supplementary pension we shall reform the harsh supplementary benefit rules introduced by the Tories. We shall return to a sliding scale for assessing capital."

If that means anything it must indicate that you will be spending more in this area. But of course you have not set out precisely what you intend here. I would be grateful for further details and will be glad to cost them for you.

Pledge 9

"We shall increase the death grant from £30 to £200 and pay it in respect of all deaths."

That would cost £120 million extra a year.

Pledge 10

"The present Government has been responsible for making fuel costs the biggest burden pensioners have to face. Our aim will be to ensure that no pensioner has to go short of the heating they need."

The cost of paying existing supplementary benefit extra heating additions of £1.90 per week to all pensioners would be £500 million a year. That is what was urged by the National Pensioners Convention when you met them and I imagine your pledge is in full response to that. It may be however that you are also thinking of the full abolition of all standing charges which was also requested by the National Pensioners Convention and that would cost a further £300 million a year.

Pledge 11

"We shall give a TV licence to pensioners free of charge."

That would cost £250 million a year.

Pledge 12

"In areas where concessionary travel on local transport does not yet exist we shall bring in a nationwide off-peak half-fares scheme for pensioners."

We estimate that that would cost at least £100 million.

As you will see then I have been rather generous to you in costing the plan at between £10 and £20 billion - the minimum cost would appear to be £13 to £15 billion - and that leaves out any cost for pledges 7 and 8.

But of course that is not the end of the social security promises ^{which} the Labour Party have made. On March 9 Mr Brynmor John, the spokesman on social security, made additional pledges at the Darlington by-election. I have set these out below with an estimate of the annual cost in brackets following:

- (i) Increase child benefit by £2 a week.
(Taking account of the increase made by the Chancellor of the Exchequer in the Budget the cost of this would be £1 billion.)

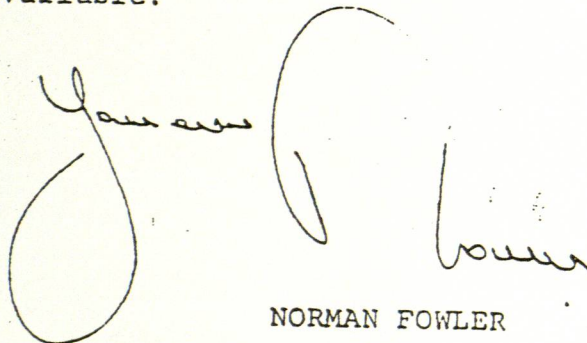
- (ii) Raise the Maternity Grant to at least £100.
(Extra annual cost at least £50 million.)
- (iii) Restore earnings related supplement to unemployment benefit. (Extra annual cost about £135 million.)
- (iv) Abolish the household duties test for disabled married women. (Extra annual cost £275 million.)
- (v) Extend the invalid care allowance to married women caring for disabled or elderly relatives. (Extra annual cost £60 million.)

That adds to the social security budget by over £1½ billion per annum - leaving aside any costing of generalised promises like "more help for single families" and "pay better benefits for the long term unemployed". It also leaves out the extra health spending you are proposing which I will deal with at another time.

I notice, however, that you have now costed the 12-point package at £3 billion. I fear this can only mean that you are leaving out some of the pledges so recently made. I think, therefore, you now have a clear responsibility to set out how you cost your own proposals at £3 billion and at the same time make it clear whether the £1½ billion pledged by Mr John at Darlington should be treated as in addition to your 12-point pensions "plan".

During the debate on the Budget I said that your Party were making "wild promises week by week as the election appears to draw nearer". That charge is self-evidently true. But even more serious I believe you are raising expectations that you know you cannot fulfil.

I am placing a copy of this letter in the House of Commons Library and making it generally available.



NORMAN FOWLER

INDICATORS OF RECOVERY: POINTS TO MAKE

1. Recovery commenced in spring 1981, faltered in early 1982 as world plunged into worst recession since war. But now increasing grounds for cautious optimism and growing evidence that period of more sustained recovery now in prospect.
2. Modest recovery is already under way. Industrial output in the first quarter of 1983 was some 3½ per cent above its second quarter of 1981 trough, largely due to increased oil and gas extraction. Construction output rose 6 per cent in the year to the fourth quarter of 1982 and early indications point to a further increase of possibly around 1½ per cent in the first quarter. After weakening for much of 1982, manufacturing production is also beginning to recover - particularly in food, chemicals, electrical engineering and building materials - and in first quarter of 1983 was 1½ per cent up on previous quarter.
3. Total output (GDP) rose by ½ per cent between 1982 Q3 and 1982 Q4 and is now 2 per cent above its trough level. [Preliminary GDP figures for 1983 Q1 to be published on 19 May.] And there are encouraging signs that the underlying trend in unemployment, though still rising, has recently shown some slackening.
4. Recovery in UK is strongly influenced by world background. Encouraging signs of recovery in the US, Germany and elsewhere. Business confidence in Europe is beginning to improve. On latest figures activity is beginning to pick up in the US (real GDP rose by ¾ per cent in 1983 Q1 and industrial production up 3 per cent since December) and in Germany (Chairman of the Deutsche Bundesbank reported as claiming "substantial" rise in GNP in the first quarter, and inflation down to annual rate of 2 per cent over last six months).
5. Domestic demand now 4½ per cent up on its spring 1981 level. Consumers' expenditure in first quarter of this year unchanged, on preliminary estimates, from high levels recorded at end of 1982, but 3 per cent up on a year earlier. Retail sales on provisional estimates, up by ½ per cent in the three months to April.
6. Also evidence of better supply response. Underlying industrial performance continues to improve. Output per head in manufacturing up 16 per cent since end-1980; manufacturers' unit wage and salary costs in three months to February increased only around 3½ per cent on a year earlier (compares favourably with our industrial competitors). Days lost through industrial stoppages in 1982 was below average for last ten years. 20 per cent improvement in cost competitiveness since early 1981, combined with non-cost improvements (better design, quality, etc), have been helping improve external trade

performance - exports in first quarter of 1983 continued the resilience shown in 1982 when world trade fell; imports showed some rise in the first quarter after remaining flat in 1982, reflecting the gradual strengthening of the domestic recovery.

7. Continued success against inflation. 12-monthly increase in retail prices now 4.6 per cent (March) - lowest for almost 15 years. Together with lower interest rates (base rates down 6 points since autumn 1981), helps create right conditions for further recovery.

8. Fourth quarter figures show profitability of ICC's improving slowly during 1982 -for both oil and non-oil firms - though from historically low level. Financial position of companies also strengthening (financial deficit of £1.1 billion in 1982 H1, £1.8 billion surplus in H2), though renewed destocking in 1982 H2 a factor. Latest CBI Survey shows firms overall liquidity positions improving, and this is forecast to continue.

9. Many recent forward indicators point to continuing gradual recovery. In particular:

i. CBI's latest Industrial Trend Survey showed encouraging improvements in business optimism (highest level since 1976), order books and output expectations, a slowdown in destocking and job shedding and improved investment intentions.

ii. CSO's cyclical indicators point to a continued upswing in the business cycle.

iii. Housing starts in first quarter of 1983, 37 per cent up on previous *quarter* (public starts also up 37 per cent). Orders for new construction work up 6 per cent in three months to February on preceding 3 months.