

Conclusions of Meeting Held on Monday 27th September 1976 at the House
of Commons

Present: Sir Geoffrey Howe, MP.,
Mr. Jenkin, MP.,
Mr. Howell, MP.,

Mr. Cardona,
Mr. Cropper,
Mr. Mockler,
Mr. Ridley

1. The Earnings Rule

(a) Background

A successful Conservative amendment to the Social Security Benefits Act 1975 raised from £35 p.w. to £50 p.w. the level of earnings above which a state pension is reduced. The Government propose to reduce the limit to £35 p.w. plus the increase in average earnings since last year's legislation.

(b) The Arguments

(i) The Party is committed by the amendment referred to above to the £50 p.w. level for the present, and to eventual abolition of the earnings rule when economic circumstances permit.

(ii) We believe that the Treasury's estimate of the cost of the £50 p.w. limit is grossly excessive. Our view (contained in a paper dated 4th March, 1976 by Kenneth Clarke) is that the cost would be nil or negligible, because of the numbers of pensioners who would start work (or declare their earnings).

(c) Recommendation

The Party should remain committed to the £50 p.w. limit, and our spokesmen should take care always to mention that we believe that the net cost of our proposal would be negligible.

2. Unemployment Benefit for Occupational Pensioners

(a) Background

On 22nd July, 1976 the Chancellor announced that recipients of occupational pensions between the ages of 60 and 65 would have their unemployment benefit reduced by 5p for each 5p of pension over £25 p.w. The saving might be £18m in a full year.

(b) The Arguments

(i) The Government's proposed change would breach the National Insurance principle that one is entitled unequivocally to benefit if one has made the appropriate contribution to the National Insurance Funds.

(ii) The proposed change arbitrarily discriminates/against people with a particular source of income; those with savings income and civil servants (and others) in receipt of lump-sum gratuities on retirement would be unaffected.

(iii) Rather than reduce the benefit, it would be better to tighten the "right-to-work" rule to ensure as far as possible that only those genuinely seeking work will be entitled to benefit.

(c) Recommendation

The Party should oppose the Government's proposal while admitting that the present system is open to abuse because the fierceness of the tax system is forcing people of all income groups to take advantage of every benefit available to them.

3. Tax Exemption for War-Widows' Pensions

(a) Background

Half of a war-widow's pension is exempt from tax at present. It has been suggested that complete exemption might be desirable.

(b) The Arguments

(i) Ideally it is better to give larger gross benefits to groups that deserve special treatment rather than try to discriminate in their favour in a complex and highly disruptive way through the tax system. Complete exemption of war-widows' pensions from tax would disproportionately help the richer widow.

(ii) It is difficult to justify giving a tax exemption to war-widows without extending it to others such as industrial widows or wives of policemen killed.

(iii) The war-widows have just received one concession; it would be difficult to justify giving another so soon.

(c) Recommendation

The Party should not promise any change in the present method for taxing war-widows. Eventually it might be desirable to introduce a general widows' personal tax allowance at a level between the single person's and the married person's allowance.

George Cardona/FF
1st October, 1976