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Social Services



10 DOWNING STREET

THE PRIME MINISTER

9 June, 1980

Dear Mr. Patten

Thank you for your letter of 24 April enclosing a copy of one from your constituent, Mrs. N. Chaplin of 22 Crossway Court, Endwell Road, Brockley, London SE4 about the Government's proposals regarding invalidity benefit.

The proposal that invalidity benefit will be increased by 11½ per cent whilst retirement pension is being increased by 16½ per cent is one of the changes set out by the Secretary of State for Social Services in his announcement on 27 March regarding the November 1980 uprating. One part of the reason for this change is that it is essential that we should restrain public expenditure as an inescapable step towards restoring the well-being of this country's economy. To that end, economies in the field of social security are needed as much as they are elsewhere.

But that is only part of the answer. It has been a long held view on both sides of Parliament that unemployment benefit, sickness benefit and its long term successor, invalidity benefit, should be taxable like retirement and widows' benefits. What has been lacking has been the means to achieve it. We have proposals which will be put before Parliament in due course to bring these benefits into taxation; the abatement this year is an interim measure in advance of taxation.

The abatement of these benefits by 5 per cent will have a less severe effect generally than if they were brought into taxation straightaway since the savings will be only about one third of

what would be achieved under taxation. Of course this is not an ideal solution since allowance cannot be made for individual circumstances as will be possible under taxation. However, the change will go a little way towards off-setting the situation that can arise at present when a person has to change from invalidity pension (untaxed) to retirement pension (taxable). The eventual introduction of the benefits into taxation will go further towards achieving greater parity between invalidity and retirement pensions in the future.

In the meantime, for those invalidity pensioners with invalidity allowance - even those on the lowest rate - their personal invalidity benefit from November will be £27.75 a week which will be 60p a week more than the retirement pensioner's taxable £27.15. Apart from this and the substantial improvements in mobility allowance, the Government will be protecting the less fortunate by uprating supplementary allowances fully in line with prices.

We regard these economies as a modest but essential pruning of the social security budget. Unless we can get the economy right and make the country more prosperous, it is the sick, the old and the needy who will suffer most. Despite the measures being proposed in the new Social Security Bill, spending on social security - currently some £20 billion a year - is set to rise in real terms by 2½ per cent this year.

We are of course aware of the problems of people like Mrs. Chaplin whose husbands have been incapable of work for a number of years. I can assure you that when it comes to tax, subject to the availability of resources, the Government will put invalidity benefit back to what it would have been had it stayed in step with the retirement pension this November.

Mr. Chaplin's benefit entitlement has been investigated and I can confirm that the £49.30 a week invalidity benefit and £18.60 a week attendance allowance he is receiving is the most to which he is entitled by way of those benefits under the Social Security Act. Mr. Chaplin's invalidity benefit is made up

of the standard invalidity pension of £23.30, an invalidity allowance of £4.90 - the rate appropriate to a man whose incapacity for work began when he was under 40 - an increase of £14.00 for his wife and an increase of £7.10 for a dependant child. Mrs. Chaplin also receives £4.00 a week child benefit. Subject to Parliamentary approval the £49.30 rate of invalidity benefit will be increased in November to £54.55 and the £18.60 rate of attendance allowance will be increased to £21.65; child benefit will also be increased to £4.75. Mr. Chaplin is also receiving Mobility Allowance, at present £12.00 a week. This is being increased to £14.50 a week from 26 November.

I am sorry that the announcements in the Budget made Mrs. Chaplin feel that she should write to you as she did. I very much hope that the explanation I have given of the reasons for the changes we have made will persuade her that we have sought to do all that we could within the limits of the resources which we can make available.

Yours sincerely
Raymond Nelson

The Rt. Hon. John Silkin, M.P.