MT

Part 2.

Confidential Filing

The introduction of an Employers' Statutory sick pay scheme.
Incapacity benefits for short periods.
Payment of wages during initial sickness

SOCIAL SERVICES

Part 1: Dec 79

Part 2: Nov 81

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~17.11.81~~							
~~23.1.91~~							
1.2.91							

PREM 19/3541

Dd 533270 5M 2/78 8362633 JET

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(81) 29th Meeting, item 2	17/11/1981

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 17/3/2017

PREM Records Team

BARRY POTTER **1 February 1991**

STATUTORY SICK PAY

I have just received the attached by fax. The decision has already been taken to reverse in next Tuesday's debate the Lords amendment on the % contribution rate. There are good reasons for this, which were aired at Cabinet. But there is no doubt at all that the small business lobby is up in arms at what it sees as a significant extra burden, administrative as much as financial, at the present difficult time.

I do think there would be merit in getting a reply from the Prime Minister to the Forum of Private Business before Tuesday's debate, the more so since their letter last November appeared, you will recall, to have gone astray and never got a reply.

JM.

JOHN MILLS

jm112

ccpu

-OE

TJS/aw

LORD PRESIDENT OF THE COUNCIL

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

NBPm

23 January 1991

Dear Stuart,

STATUTORY SICK PAY BILL : OPTIONS

The Lord President held a meeting at 5.30 pm on Wednesday 23 January with your Secretary of State, the Lord Privy Seal, the Chief Secretary, the Chief Whip (Commons), the Chief Whip (Lords), and the Parliamentary Under Secretary.

The Secretary of State reported that although there had been no further amendments carried against the Government during Report Stage on 22 January, there remained the possibility of amendment at Third Reading on Monday 28 January.

But it was important to reach a decision now on how to respond to Earl Russell's amendment (deleting the power to vary the percentage rate of reimbursement by Order).

In discussion the following points were made:

- Commons Financial Privilege could be claimed only if the Lords amendment were defeated; it would not apply if a modified amendment were passed by the Commons. There remained doubts about whether the Lords would accept a claim of Financial Privilege in respect of so controversial a provision; and straight reversal would also prevent the Government making the Orders subject to affirmative resolution procedure, a change which Ministers had clearly signalled the Government accepted;

- if the power to vary the rate of reimbursement was not reinstated, the Secretary of State would need to find some £40 million of promised savingS from somewhere else. The Chief Secretary could not accept an unravelling of this part of the PES settlement reached with the Secretary of State, and the Secretary of State accepted this position;

- one option would be to make a further amendment in the Commons, limiting the size of further reductions in any one year to, say, a further 10%. This would preserve the flexibility the Secretary of State and the Chief Secretary had been seeking. On the other hand, this might give more scope for allegations that the Government had plans for further changes and be seen as indicating the likely scale of such changes. The Lord Privy Seal and the Chief Whip (Lords) advised that this concession would not in any case win over the House of Lords to the principle of making further changes by secondary legislation;

Contd 2/ . . .

- if the Government sought to confront the House of Lords by straight reversal of this amendment, the Lord Privy Seal and the Chief Whip (Lords) advised that Lords' acceptance of the Commons reversing Lord Mottistone's amendment,(to change the reduction from 80% to 91%) would be put at risk and a major clash between the Lords and the Commons precipitated which would imperil the whole system whereby the Commons claimed Financial Privilege;

- accepting Earl Russell's amendment and dropping the Order making power did not rule out further changes in the rate of reimbursement of SSP contributions. It would be perfectly possible to implement a further reduction at a future date by a clause in a general purpose Social Security Bill, which even if the Lords again objected could be got through, as this Bill would be, by claiming Commons Financial Privilege. This could well be less controversial in the end than seeking to challenge the Lords on the Order making power in this Bill.

Summing up the discussion, the Lord President said that in view of the strong advice from the Lords' business managers that straight reversal of Earl Russell's amendment or an attempt to modify it in the way that had been suggested would both run into very serious difficulties in the Lords, delaying the passage of the Bill and putting at risk the present system for the Commons to claim Financial Privilege, it had been agreed that the Government should not seek to reverse Earl Russell's amendment. The Secretary of State had accepted that this did not discharge the terms of his agreement with the Chief Secretary in the 1990 PES round. The way in which any further savings on the Social Security programme should be delivered should be resolved bilaterally between the Secretary of State and the Chief Secretary.

I am copying this letter to Gillian Kirton, Jeremy Heywood, Murdo Maclean, Douglas Slater, John Neilson, Martyn Waring, and Robert Caniff; and also to Dominic Morris and Sonia Phippard and Muir Russell in the Cabinet Office.

T J SUTTON
Principal Private Secretary

Stuart Lord Esq
PPS/Secretary of State for Social Security

RG 0067p+

0716

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

Barry Potter
Private Secretary
10 Downing Street
London
SW1

14 November 1990

Dear Barry

At last week's Cabinet my Secretary of State agreed to let colleagues have a note explaining the changes he will be making to Statutory Sick Pay (SSP). These changes, which will take effect from April 1991, are dependent upon the SSP Bill getting Royal Assent by the end of January.

I am copying this note to Private Secretaries to members of the Cabinet.

Yours
Helen

HELEN DUDLEY
Private Secretary

STATUTORY SICK PAY

BACKGROUND

There are two rates of Statutory Sick Pay (SSP); the rate payable depends on the employee's average earnings. Employers are required to pay SSP for up to 28 weeks sickness, but the average spell is only 3 weeks. Employers can get back all the SSP they pay by deducting this from their remittances of National Insurance contributions plus an additional amount (currently 7 per cent of the total SSP paid) as compensation for NI contributions they pay on SSP itself.

STATUTORY SICK PAY CHANGES

The SSP Bill introduced last week provides for the following changes:-

i. a reduction in the employers right to reimbursement of SSP paid from 100 per cent to 80 per cent;

ii. the abolition of the 7 per cent compensation rate.

These measures will produce £181m in PE savings and a further £71m PSBR savings. In addition a freeze of the higher rate SSP and a move in the earnings threshold announced in the Uprating Statement will provide a further £100m PE savings in 1991/92.

OFFSETTING REDUCTIONS IN EMPLOYER'S NATIONAL INSURANCE CONTRIBUTIONS

To partly offset the additional cost for employers the following NI contributions reductions are to be made from April 1991 -

i. the main rate of employers contribution of 10.45 per cent will be reduced to 10.4 per cent;

ii. the lower rates of 5, 7 and 9 per cent payable for employees earning up to £185 per week will be reduced to 4.6, 6.6 and 8.6 per cent respectively.

These reductions are worth around £250m to employers in 1991/92 and will particularly help smaller employers.

REASONS FOR CHANGING THE SSP ARRANGEMENTS

Over 90 per cent of employees now work for employers who provide occupational sick pay (OSP) cover which reflects the acceptance by employers of a greater responsibility to cover short-term sickness among their employees. For the great majority of employees the rates of SSP bear no relation to the actual amounts they receive when sick and the changes proposed will not affect them at all. Employees without OSP cover tend to be lower paid and part-time workers who will qualify for the lower rate of SSP which has been fully uprated.

HELP DIRECTED TO OTHER AREAS OF SOCIAL SECURITY

As part of the Uprating Statement the SSP measures have enabled the available resources to be directed to other areas of social security.

Main measures

1. increase Child Benefit by £1 a week for the eldest or only eligible child in all families - at a cost of £350m;

2. provide extra cash for some 400,000 poorer pensioners - at a cost of £80m;

3. improve still further the support that social security gives towards the costs of residential and nursing home care with increases of up to £55 a week - at a cost of £225m.

Other measures

1. Statutory Maternity Pay, and also National Insurance Maternity Allowance, will go up by an extra £1 on top of a RPI increase;

2. increase in the funding of the Independent Living Fund to £62m next year;

3. additional grant of £1m to Motability;

4. Mobility Allowance to be paid to all double amputees;

5. Invalid Care Allowance Earnings limit will increase to from £20 to £30;

6. Carers Premium in Income Support will be paid for an extra eight weeks after the death of the person being cared for.

PART 1 ends:-

H(81) 71 - 11.11.81

PART 2 begins:-

H(81) 29th Min Item 2

17.11.81

Grey Scale #13

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