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Social Services. 2
PRIME MINISTER



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
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To note that the
sickness pay Green Paper

is coming out on Wednesday next
week. Mch

ms 25/3

25 March 1980

PA

25/3

told DHSS PM contact. ms 26/3

Your reference
Our reference

Ms Petra Laidlaw
Private Secretary to
the Chancellor of the Duchy
of Lancaster

Dear Petra

We spoke yesterday about our intention to publish a Green Paper containing proposals to place on employers a statutory duty to provide sick-pay for their employees in place of national insurance sickness benefit. I promised to let you have a note for the Chancellor of the Duchy.

Because parts of the Green Paper contain assumptions based on proposals to be announced in the Budget, it has had to be printed as a "Secret" document. This, I understand, has limited our ability to alter the publishing date and I am told it could only be brought forward with great difficulty.

One other reason for preferring a Wednesday publication is that this would remove it from the Budget debate. What we are proposing in the Green Paper should not be seen as part of the social security cuts to be announced tomorrow and Thursday; it is a separate exercise designed to rationalise benefit provision in one limited area of social security. Both the Secretary of State and Mr Prentice feel very strongly that it would be to the Government's advantage to emphasise that this is a separate policy development and not an extension of previously announced cuts in social security provision.

For these reasons we consider it imperative that publication should be on 2 April.

As to whether or not there should be a statement to the House, the Minister has expressed a strong preference for announcement by means of a written answer. This would avoid a potentially difficult period of questioning which would inevitably concentrate not on the proposals in the Green Paper but the Budget proposals for social security. As the House will have already had two opportunities to question our Ministers (with all the attendant adverse publicity this will give rise to) it is felt that it would be best to avoid another confrontation. Further, the Green Paper is proposing a 6 month consultation period and Members will be able to question Ministers during that time and when the proposals are finalised for presentation as a Bill.

I therefore would be grateful for approval to publish the Green Paper on 2 April and to announce it by means of a written answer. A possible text for the reply is attached; this has not yet been finalised by Mr Prentice. I am copying this letter and enclosure to Murdo MacLean at the Chief Whip's Office and Nick Sanders at No. 10. I would appreciate having any comments over the telephone.

Yours sincerely

Michael Kerin.

M KERIN

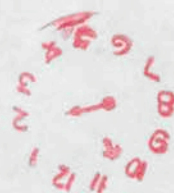
Private Secretary to the
Minister for Social Security.

Bernard
Ingham
I agree
ms

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DRAFT STATEMENT ON ESSP

1. The Government have today published a Green Paper "Income During Initial Sickness: A New Strategy" (Cmnd 7864). Copies have been placed in the Library. The paper sets out for discussion our proposal that employers should provide sick-pay for their employees in place of national insurance sickness benefit.
2. We have thought it right to review the role of the State in providing sickness benefit against the background of the increasing number of employees who are covered by occupational sick-pay arrangements and in the belief that the State should, wherever possible, withdraw from activities which firms and individuals can perform perfectly well for themselves.
3. Furthermore, there are two unsatisfactory features of the present system. First, a large number of employees are at present financially better-off when sick than when at work because they receive the equivalent of full-pay but do not pay tax on that part of it represented by national insurance benefit. This unsatisfactory situation will continue until we are able to bring benefits within tax. Second, many thousand civil servants are engaged in the administration of sickness benefit which is often payable for short periods to people who are already receiving sick pay from an employer who has to provide for the administration of his scheme. This duplication of effort can only be regarded as wasteful.
4. The proposals in the Green Paper would help to remedy both these drawbacks to the present arrangements. Tax would be levied on a much greater proportion of payments made during sickness and there would be large savings in civil service numbers.
5. The proposals are neither firm nor final. They are set out as the basis for genuine discussion with all interested parties and the Government will not take final decisions on the scheme until we have carefully considered all representations received. I appreciate that what is suggested will require close study and we are therefore allowing six months for consultation.



25 MAR 1980