



Mr. Monger
Please below - Chancellor with 'see' & 'pay' ✓
is willing to
all a meeting
5 10
DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE (see notes)
LONDON S.E.1
TELEPHONE: 01-407 5522

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
London SW1

sent 2.10.

EXCHEQUER	
REC.	- 2 OCT 1981 1 October 1981
ACTION	<i>Mr Monger</i>
COPIES TO	<i>LST, FST, MST(C), MST(L), Sir A Wain, Sir A Rawlinson, + Mr Barratt, Mr Kemp, Mr Cropper</i>

PS, IR 5/10

Geo *Geo Frey*
UNEMPLOYED CLAIMANTS WHO FALL SICK

Your officials may have shown you the report that has been prepared following inter-departmental consultations on this subject. It suggests (para 38) that if the Rayner proposal to treat people who fall sick whilst unemployed as still unemployed for the first eight weeks of their sickness were to be implemented, the Social Security Bill now in draft should be the vehicle. A clause would be needed to provide the necessary regulation-making powers.

Quite apart from the merits of the proposal, I am sure we must rule out this way of proceeding. The present Bill, as you know, is to be the vehicle for two major proposals, the Statutory Sick Pay Scheme and the Housing Benefit Scheme, which are both big staff savers. I have undertaken to drop any miscellaneous provisions that are not absolutely necessary especially if they are controversial, and this one seems to qualify under both heads. It is not a change which we have to make, and to introduce such a proposal, taking benefit rights away from the unemployed, will certainly provoke strong reactions in the House.

Turning to the substantive proposals in the report, I realise that there are strong arguments in favour of the changes, in terms of simplification, some staff savings, and additional revenue - since unemployment benefit will be taxed whereas sickness benefit will not. But I must say that I am very much concerned at the number of people who would be disadvantaged if we proceed with the proposal in its simplest form. Something like one-third of all the unemployed who fall sick each year would actually lose out in terms of benefit received. Moreover, the complexity and staff costs of the arrangements that would have to be made if we decided to go ahead but to safeguard or compensate those who would otherwise be "losers" are shown to be very substantial and largely offset the advantages of the proposal. I do not believe that we really need to grasp this nettle just now.

Nevertheless, I am, of course, ready to discuss the matter if you think we ought to go ahead despite the difficulties described in the official report as

soon as it is practicable to do so, ie in the next available and suitable piece of Social Security legislation.

I am sending copies of this letter to Janet Young and Norman Tebbit, whose officials have also had copies of the report.

Janet Young

NORMAN FOWLER



Caxton House Tothill Street London SW1H 9NA

6400

Telephone Direct Line 01-213

Switchboard 01-213 3000

GTN 213

Social
Services
while
we have
got any of
these reh-
have you
seen?

John Halliday Esq
Private Secretary to
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

2 November 1981

Dear John

The Secretary of State for Social Security wrote to the Secretary of State for Employment on 28 October about the unemployed sick. My Secretary of State, who is in Brussels for an EC meeting today, would certainly wish there to be further Ministerial discussions on the case for including a clause on the unemployed sick in the Social Security Bill as proposed by the Chancellor in his letters of 12 October and 2 November.

There is of course the problem of the losers. Mr Fowler and my Secretary of State agreed officials should re-examine this, but the proposed clause in the Social Security Bill does not directly alter the benefit entitlement of the unemployed sick; it is a regulation-making provision enabling the change to be made, and all or none of the "losers" to be protected depending on what is decided.

I am sending copies of this letter to the private secretaries to the Chancellor and the other recipients of his letter of today's date.

Yours sincerely

John Anderson.

J ANDERSON
Private Secretary



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

2 November 1981

The Rt. Hon. William Whitelaw CH MC MP
Secretary of State for the Home Department

Dear William

UNEMPLOYED CLAIMANTS WHO FALL SICK

As I think you know, there has been a difference of view between Norman Fowler on one hand, and Norman Tebbit, Janet Young and myself on the other, over the inclusion of a clause in the forthcoming Social Security Bill. The clause in question would enable Regulations to be made to give effect to the recommendations of a recent Rayner scrutiny, which recommended changes in the benefit treatment of unemployed people who fall sick.

Time is now very short - the Bill is due to go to Legislation Committee tomorrow - and I do not think that there is any prospect at this late stage of our reaching agreement other than by collective discussion. I am therefore circulating by way of background copies of the correspondence we have had, and I should be grateful if an opportunity could be taken for H Committee to consider it as soon as possible.

I am copying this to the Prime Minister and members of H Committee, and to Sir Robert Armstrong.

GEOFFREY HOWE

Geoffrey Howe



Chancellor

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

The Rt Hon Norman Tebbit MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1

28 OCT 1981

PS/IR 28.10.

CST, FST, MST(C) 28 October 1981
MST(L), Sir D Warr,

Sir A Rawlinson,
Mr Barratt, Mr Kemp,
Mr Monger, Mr Cropper

BENEFITS FOR UNEMPLOYED PEOPLE

Following our meeting last Wednesday, the further work which we commissioned has been set in hand. Our officials will be reporting to us on the possibility of a simplified short-term supplementary benefit scheme, material is being prepared for colleagues on the question of milk tokens, and I shall be writing to you as soon as possible, as promised, letting you have my conclusions on the future responsibility for the NUBS computers. On the "holidays" proposal, I understand that the Treasury are unable to help us over the extra cost problem, so I see no alternative but to let our colleagues know in due course that whilst there is a case for the proposal in principle, there is no question of implementation until such time as resources can be made available.

There is one issue, however, on which I am writing to you immediately because of its urgency, and that is the question of including in our forthcoming Social Security Bill a provision about unemployed people who fall sick. As I made clear at our meeting, I am very ready to consider further with you and the others concerned the merits of the Rayner Report recommendation on this issue when our officials have re-examined, as we asked them to, the problem of the losers. But as I also made clear, I do not feel able to include a provision dealing with this in the forthcoming Bill. This is now in the final stages of drafting and my undertaking to Cabinet, as a condition of their authority to proceed with this Bill, was to exclude from it everything, other than the items they expressly approved, which would be controversial unless it was essential. This I have done, and you will have noted from my letter dated 22 October to Willie Whitelaw and H Committee colleagues.

As I explained in my letter of 1 October to Geoffrey Howe, the proposal to treat unemployed people who fall sick as continuing to be available for and fit for work would certainly be controversial. I think we must give ourselves more time to consider all the implications very carefully before we decide whether or not to proceed with it. Nor do I think that it is essential to deal with it in the Bill we shall shortly be introducing. If we do decide to go ahead, we can deal with it in the 1982/83 session in time for implementation in 1983.

F. R.
You made your views very clear to me at our meeting and I have of course noted the views of Geoffrey Howe and Janet Young in their letters to me. I do not want at this stage to prejudge the outcome of the further consideration we are going to have to give to this question, but I should like to make clear the nature of my misgivings.

The nub of the problem is that some unemployed and fit people are, for very good reasons, deprived of all benefit or have their benefit much reduced - for example, because they caused their own unemployment by misconduct at work, or because they are receiving a substandard occupational pension and their availability for work (but not their fitness for it) is in doubt. But these penalties are specific and peculiar to unemployed people who are fit for work and it would be very hard to justify continuing them, for administrative convenience, in the quite different circumstances of a person unable to work because of sickness.

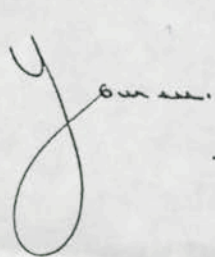
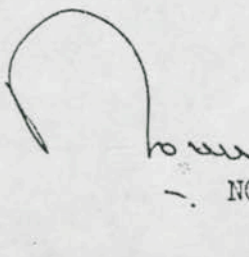
I do understand - and indeed support - the view which you and others have expressed that if we are to make reforms we must be prepared to accept that there will be some losers. My own view is when the case is strong and the rewards make it worthwhile then we should proceed notwithstanding the flak we shall attract. We are dealing here, however, with sick people, one third of whom could be losers. We identified at our meeting one particular group - the chronically ill who are frequently off work and would be deprived for a time of their entitlement to the long-term invalidity pension - and we asked our officials to see what could be done to protect them.

There will be other groups where we could be in trouble. I am thinking in particular of unemployed people who are stricken with a serious illness. If they have a stroke, suffer a heart attack, or develop cancer, and they are perhaps bedridden, we would in effect be proposing to Parliament that they should continue to be treated as though they are fit for work and thereby deprive them of the sickness benefit to which they are entitled (by virtue of the contributions they have paid) to which other sick people in similar circumstances are entitled, just because they happened to be unemployed when illness occurred. The difficulties of persuading the House of our case here would be great.

The relevance of our sick pay proposals to unemployed claimants who fall sick is also something of an illusion. These proposals are about employed people who fall sick and they will be guaranteed sick pay instead of sickness benefit (often at a higher rate). It is important to us that we get the sick pay proposals through with as little trouble as possible and, contrary to the view that has been expressed that the Social Security Bill would be the appropriate vehicle to deal also with unemployed claimants who fall sick, I would see it as a positive disadvantage to attempt in the same Bill to force through a provision which would have the effect of depriving some claimants, especially those referred to above, of any benefit.

I do not rule out the possibility of finding some way round all these difficulties, though as I said in my earlier letter measures to safeguard the losers are likely to whittle away the savings from the main proposal. However, that is something that we have asked our officials to look at again. But I am quite sure that we should not attempt to deal with it in the forthcoming Bill if our aim is to reduce to a necessary minimum the controversial elements in it.

I am copying this letter to Geoffrey Howe, Willie Whitelaw, Francis Pym, Michael Jopling, Janet Young and Sir Derek Rayner.

NORMAN FOWLER



cc CST
FST
MST(C)
MST(L)
Sir D Wass
Sir A Rawlinson
Mr Barratt
Mr Kemp
Mr Monger
Mr Cropper
Mr Green
Mr Blythe
Mr Martin
Mr Davenport
Mr Fraser

pur

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

12 October 1981

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1

BS/ Andy of Finance

Norman Tebbit

In Name

UNEMPLOYED CLAIMANTS WHO FALL SICK

Thank you for your letter of 1 October. I note you want to drop the proposal to treat people who fall sick whilst unemployed as still unemployed for the first eight weeks of sickness from the Social Security Bill. I have also seen Janet Young's letter to you of 6 October and Norman Tebbit's letter of 7 October. Both of them have strong reservations about your proposal.

Whilst I appreciate your desire to drop inessential measures from this important Bill, I must emphasise that I do not regard this proposal as inessential. It is an important element in the implementation of our Manifesto commitment to bring short term benefits into tax. As you know we had hoped to be able to introduce this proposal and the SSP scheme at the same time as the taxation of benefits to the unemployed. This would have avoided the creation of an incentive for unemployed people to claim sickness benefit not only to avoid liability on their benefit but also to obtain tax refunds which are being withheld during a period of claim to unemployment benefit. When the SSP scheme was deferred it was agreed, on equity grounds, that this proposal should similarly be deferred but re-introduced with SSP.

As you say, the Bill is essentially a staff saving package and it would therefore seem on this basis appropriate that this proposal, which requires only one clause but which potentially has significant staffing effects (with possible staff savings not far short of those you hope to achieve by the abolition in this Bill of injury benefit), should be part of that package. I see that both Janet and Norman have emphasised this point. I agree with them.

/I cannot deny that



I cannot deny that this measure may provoke Opposition reaction in the House but it is also undeniable that it would be more controversial if introduced independently of the SSP scheme. That is why I still think that the present Bill remains the most appropriate vehicle for the introduction of this proposal.

On the substantive proposals, I cannot accept that we should not proceed because some people would lose out. We have always recognised that this is an inevitable by-product of reform. Even so, I understand that the large majority of claimants receive no more in sickness benefit than they do as unemployed claimants. These people will gain by the simplification of the system which this proposal provides. Others will lose - but it is important to remember that only those who are recurrently sick will actually notice at first hand that they are worse off.

If you still feel strongly about this, I suggest you should discuss at a meeting including Janet Young and Norman Tebbit.

GEOFFREY HOWE

A handwritten signature, likely of Geoffrey Howe, consisting of a stylized 'G' followed by a series of loops and a final horizontal stroke.



Chancellor of the Duchy of Lancaster

Sent 7.10

Civil Service Department
Whitehall London SW1A 1AA
Telephone 01-273 4400

Mr. Monger 7/10

CST

FST

6 October 1981

MST C

The Rt Hon Norman Fowler MP
Secretary of State for Social Services
Alexander Fleming House
Elephant and Castle
LONDON
SE1 6BY

MST L

Sir D Wass

Sir A Rawlinson

Mr Barnett

Mr Kemp

Mr Cropper

Dear Norman,

UNEMPLOYED CLAIMANTS WHO FALL SICK

I am disturbed to see from your letter to Geoffrey Howe of 1 October that you want to go back on the intention to take powers in the Social Security Bill to treat the unemployed sick as unemployed for the first eight weeks of sickness. I appreciate your concern about people losing benefit but I am clear that we must be prepared to accept some reduction, for a minority of people, in the benefits they now receive if we are to simplify an over-complex system.

As you recognise, there are strong arguments for simplification in this case. The Rayner report shows that the existing arrangements for the unemployed sick are so complicated and inconvenient for claimants that in various ways the amount of benefit paid is often not the amount intended. Furthermore, it appears to me that the present provisions are themselves by no means free of unintended anomalies. It would not be sensible to forego important gains in simplicity purely on the principle of preserving a position already far from ideally logical and equitable.

In particular, the Rayner proposal would remove a considerable anomaly in the treatment of unemployed compared with employed sick under the statutory sick pay scheme.

My view is very strongly that the provisions for SSP must take the Rayner proposal into account. If you feel that there has to be some derogation from the full proposal I would like our officials to discuss this.

I am copying this letter to Geoffrey Howe and Norman Tebbit and also to Sir Derek Rayner, in view of his interest in the implementation of scrutiny recommendations.

Yours sincerely,

Baroness Young

BARONESS YOUNG



Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213

6400

Switchboard 01-213 3000

GTN 213

Amel advice sent 7.10.

CH/EXCHEQUER	
REC.	-7 OCT 1981
ACTION	MR MONGER
	CST, PST, MST(C),
	MST(L), Sir A Wans,
	Sir A Rawlinson,
	Mr Barratt, Mr Kemp,
	Mr Cropper, PS/IR

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Great George Street
LONDON SW1

7 October 1981

D Geoffrey,

UNEMPLOYED CLAIMANTS WHO FALL SICK

Norman Fowler sent me a copy of his letter to you of 1 October.

Norman and I are meeting shortly to discuss outstanding issues, including the treatment of the unemployed sick, arising from recommendations in the Rayner report on payment of benefit to unemployed people. I shall be pressing for the implementation of the Rayner recommendation that unemployment benefit claimants falling sick should be treated as unemployed for the first eight weeks of sickness. This would save staff, simplify procedures, be more comprehensible and convenient for claimants and staff alike and would increase the revenue from and simplify the administration of taxation of unemployment benefit. Nor would it affect the level of benefits for the majority of the unemployed sick. Although some claimants would receive less benefit than under the present arrangements for most of those affected the amounts would be small and in a number of cases anomalies by which sickness brings an increase in income would be brought to an end. Entitlement to supplementary benefit would be affected only in the case of those who became unemployed voluntarily.

I also consider that, if we decide to go ahead with the Rayner proposal, there is a very strong case for including the necessary clause in the Social Security Bill now in draft. I take this view not only because I think we should make the change at the first opportunity but because it links naturally with the provisions in the same Bill for the employed sick. These also cover eight weeks of sickness, bring the payments into tax, and involve 'broad brush' treatment with loss of benefit for some. Such provision for the unemployed sick may be contentious but no more so than the proposals for the employed sick. I suggest it would be best to take both the changes through together in a single Bill in this Session rather than to have two separate battles on benefits for the sick in different Bills in different Sessions. As I understand



it a single clause is all that is needed to make the change so we should not be adding significantly to the length of the Bill.

I am sending copies of this letter to Norman Fowler and Janet Young and also, with a copy of Norman Fowler's letter, to Derek Rayner.

Janet Young

WR 1/6

PRIME MINISTER

Weekend Box

Cabinet decided on 12 February that the legislation to introduce a statutory scheme for employers' sick pay should be delayed.

Mr. Jenkin was asked to produce revised proposals for the 1981/82 session which should be designed to secure wider Parliamentary support.

In the attached paper for H Committee, Mr. Jenkin proposes to issue a consultative paper on two different options for a revised ESSP scheme. He would hope to complete his consultation by September.

He also proposes to introduce self-certification for incapacities lasting a week or less. This would operate from April 1982.

enron

me

28 May 1981