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DEPARTMENT OF HEALTH & SOCIAL SECURITY
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From the Secretary of State for Social Services

John Lambert Esq
Private Secretary to
The Rt Hon The Lord Young of Graffham
Secretary of State for Employment
Department of Employment
Caxton House
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NBPM

11 March 1986

Dear John,

DHSS DEREGULATION

Your Secretary of State and mine met on 10 March to discuss the impact on employers of DHSS legislation following their exchange of correspondence of 28 February. Also present were the Paymaster General, the Minister of State for Social Security and Mr Heppell (DHSS).

will request if req'd.

Lord Young said he was concerned about the effects on employers of the SSP and family credit schemes. He had no intention of reopening policy questions which had already been settled but it was important to consider if there were ways of reducing the burdens on employers from these schemes - particularly small employers who were the ones who found these tasks most difficult. The possibility of allowing employers to opt out of the SSP scheme had been considered previously but the view had been taken that this would still require an employer to maintain quite detailed records. He felt that this should be looked at again to see if the paperwork could be significantly reduced or eliminated. In the case of family credit, while he understood the advantages of paying through the pay packet, he was concerned that this might cause administrative cost and cash flow problems for small employers.

My Secretary of State said that there could be no reversal of policy at this stage on paying SSP for 28 weeks or on paying family credit through the wage packet. The Department had consulted employers' representatives about the idea of allowing employers to opt out of

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the SSP scheme. Only two had responded and neither had supported the idea. However, he was prepared to reexamine whether the record-keeping required if employers opted out could be reduced.

In the case of family credit, he did not believe that the administrative task was an onerous one or that there were likely to be cash flow problems; that also seemed to be the view of, for example, the Institute of Directors; and there was no doubt that DHSS would be doing most of the work, including the assessment. However, he agreed to have some illustrative examples worked out to see whether there was any risk of cash flow problems for small employers. He also fully accepted the general principle that the aim with these schemes should be not to alter the policy but to search for ways of simplifying the administration and also to explain the schemes as clearly as possible to employers.

There was also a brief discussion of the proposed alignment of the rules for maternity pay and employers' maternity allowance, about which your Secretary of State wrote on 5 March. It was agreed that the aim should be to align the rules as far as practicable and that officials should carry forward their work on this basis.

My Secretary of State also said that as the deregulation issues affecting DHSS mainly concerned social security, he had decided to nominate John Major, the Parliamentary Secretary for Social Security, as member of MISC 121 in place of Ray Whitney, Parliamentary Secretary for Health.

I am copying this letter to the private secretaries to members of MISC 121 and of E(A) and to Michael Stark.

Yours sincerely

Tony Laurance

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Private Secretary