



Prime Minister^{2.}

So. Sen

10 DOWNING STREET

4 February 1981

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

INITIAL PAYMENT OF SICKNESS SCHEME

I was talking last night to Stan Mendham at the Centre for Policy Studies. He is Chief Executive of the "Forum of Private Business" representing a very large number of small businesses. He tells me that he has written to you - indeed, he has written to the Prime Minister, backbenchers, spent many hours with your officials etc - because he believes the scheme will prove a complete fiasco in its present form.

I cannot judge whether his criticisms (and the fairly simple remedies he proposes) have any merit. But predictably, he has made no progress with his approaches to your Department. It sounds to me like the familiar situation: whether or not his criticisms are justified, the whole scheme now has such momentum that it is psychologically impossible for anyone in your Department to stop and ask himself, "I wonder if this strange fellow who comes down from Cheshire could possibly be right, while we are wrong?"

Changing one's mind is difficult at the best of times, but in my experience quite impossible on the basis of reading papers. Having actually met Mr Mendham who is a very effective salesman in the best sense and who has no axe to grind, simply a desire to prevent the Government making a fool of itself, I believe you should consider talking to him, rather than hearing about what he says from your officials. My instincts - and that is all it is - tell me that he may be right; that the scheme is ludicrous as at present proposed; that it would be very simple to correct it, provided we delay it now. Otherwise there will be the usual problems of the Government losing face by admitting later that it needs correction.

As your officials will know, Mendham has amassed a tremendous amount of detailed work on how the scheme would operate, in consultation with his membership; speaks with passionate conviction about what is wrong; and seems to have all the conceivable facts at his fingertips. When Mendham started lobbying me, my feeling was that it was too late for second thoughts. By the time he had finished, I decided

hat it was never too late for second thoughts. He may be a crank or his analysis may be wrong. You won't resolve that on paper, only by talking to him with your own experts present.

- * I am copying this letter to the Prime Minister, as Mendham wrote to her on 20 January.

JOHN HOSKYNS

- * Copy of the letter to the Prime Minister attached.



The Forum of Private Business

The Co-ordinated Strength of Independent Enterprise

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SAM/bs

20 January 1981

The Prime Minister,
The Rt. Hon. Margaret Thatcher, MP.
10 Downing Street
London SW1A 2AA

Dear Prime Minister,

We are writing to you direct on the important issue of your Government's Initial Payment of Sickness scheme as we have exhausted every other avenue.

The problems this scheme will present to the small businessman are:-

1. Non provision of a medical sickness note until after seven days of sickness.
2. That it will make the employer responsible, without the benefit of medical advice, for deciding whether or not to pay statutory sickness pay and should the employer in the eyes of the employee have made a wrong decision, he could risk being taken to a TRIBUNAL - perhaps months later.
3. That it will cost the employer more in sickness pay than the reimbursement scheme will cover.

These factors will result in:-

1. An increase in absenteeism due to sickness in the smaller firms.
2. The smaller businessman not wanting to take on more fulltime staff.
3. Antagonising the smaller businessman through more paper work and its associated cost and time.

This scheme in the FORUM'S view will cost the community an extra £22.5^m per annum.

The FORUM has put forward sensible alternative proposals which could meet your Governments objectives, copies of which are enclosed, but we are nevertheless informed that the BILL will be published in its present form in mid-February 1981.

In the interests of all smaller businessmen may we ask you to intercede to stop the damaging parts of this legislation, before the BILL is introduced, so that we can support you in this matter.

Yours sincerely,

S.A. Mendham
Chief Executive
The Forum of Private Business

Enclosures.

Directors: S.A. Mendham, C.Eng., M.I.Mech.E., M.B.I.M., H.W.N. Ambler, B.Sc., M.I.P.M., L.S. Hailes, M.I.H.V.E.
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THE FORUM OF PRIVATE BUSINESS
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The Forum of Private Business

The Co-ordinated Strength of Independent Enterprise

FORUM ALTERNATIVE

1. The FORUM'S Alternative Scheme

1. Do not make sick pay a RIGHT unless the employee can prove his case.
2. Provide a DOCTOR'S Sick Note.
3. Reimburse the smaller employers directly by the PAYE Card.
4. The employer would pay ALL sick pay up to six months.
5. The employer would deduct Tax and National Insurance.
6. The employer would be able to deduct .5% of payroll/year for doing the work.

2. The FORUM'S Alternative to DOCTORS NOTES

1. Doctors Note after 3 days as NOW but employee pays
2. Doctors Note in 3 forms:
 - Attendance Note after 2 days
 - Non-Clinical Note - after examination
 - Clinical Note - after examination

EMPLOYER PAYS.

3. WAITING DAY increased to 5
Doctors Note as now but NO SSP until after 5th day.

3. The Effect of the FORUM's Alternative Method of Reimbursement

Revised Comparative Costs between Present and FORUM Scheme at 1980 prices:

| Present Scheme | | FORUM Scheme | |
|----------------|---------------------|--------------|---------------------|
| Cost @ 1980 | B = £416,250,000 | C = | £403,763,000 |
| Cost of CS | E = 40,000,000 | D = | 40,000,000 |
| | <u>£456,250,000</u> | | <u>£443,763,000</u> |

GAIN of £12,487,000
Plus tax
revenue £120,000,000
£132,487,000