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Prime Minister

SCRUTINY OF BURDENS ON BUSINESSES

with DB?

As requested in your Private Secretary's letter of 23 January, I am giving our first reactions to those proposals contained in the scrutiny of burdens on businesses which relate to DHSS. You will see below that in general I welcome the main proposals.

NATIONAL INSURANCE CONTRIBUTIONS

The recommendations relating to greater alignment or integration of the PAYE and NI contributions systems are far-reaching and fundamental. They offer the prospect of a significant lightening of administrative burdens to all employers (but particularly to small businesses) and substantial administrative streamlining. They would require careful planning and a full consultation with employers' interests; the report recognises this. There would, of course, be a significant upheaval for employers in changing payroll systems, but this would seem to be a price worth paying.

I am enthusiastic about taking this proposal forward and, as you know, am considering whether the Green Paper on social security should promise to look at the possibility of greater alignment between the tax and contributions systems. If it does, it would clearly be sensible to take forward the recommendations from this scrutiny in the resulting study. There are other recommendations relating to NI contributions which could be taken forward independently and with a shorter time-scale. Some of them are already being studied actively.

STATUTORY SICK PAY (SSP)

The report's main proposal is that employers should be able to opt out of the SSP arrangements by paying wages as good as SSP. The argument behind this proposal is that employers may prefer to meet the cost of



SSP themselves to save most of the record-keeping and administrative time which SSP entails.

But there could be disadvantages, for example to some employees, and I have therefore asked Tony Newton and Ray Whitney to explore this issue urgently and positively.

INDUSTRIAL INJURIES

I accept, in principle, the recommendations aimed at reducing the frequency and complexity of industrial injuries enquiries to employers. Some recommendations, notably those requiring discussions with the Health and Safety Executive and the CBI, will be taken up immediately. Others, especially those involving primary legislation, need to be explored more fully (in some cases in conjunction with matters already under active consideration) before the precise form of implementation can be finalised. I am asking my officials to carry out the necessary exploration without delay.

I am copying this to Nigel Lawson, David Young, Sir Robin Ibbs and to Sir Robert Armstrong.

Ray

14

February 1985

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SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

Background note

Overall scrutiny

1. The lead department was DTI. There were six other participating departments including Inland Revenue and the DHSS.

2. The overall objective was to review the burdens imposed upon businesses (particularly small businesses) by the administrative and legislative requirements of central and local government.

3. The following problem areas were identified by the overall scrutiny:-

- PAYE/personal taxation
- National Insurance
- Statutory Sick Pay
- VAT
- Statistics
- Employment Protection
- Health and Safety
- Planning
- Fire regulations
- Company law
- Consumer law

4. The scrutiny found that compliance costs (time and money) fell most heavily on the very smallest businesses. This is particularly worrying in terms of setting up new businesses and expanding existing businesses in its effect on job creation.

5. Small businesses regarded compliance costs as a permanent immutable feature of their environment. Accordingly they were coping with them. However, a determined drive to contain compliance costs would have a greater economic and psychological impact than the perspective of small firms suggests.

6. The scrutiny identified both radical options to reduce compliance costs and a range of other efficiency proposals.

Proposals involving DHSS

7. They involve three areas:-

- National Insurance contributions
- Statutory Sick Pay
- Industrial Injuries

8. Contributions The joint Inland Revenue/DHSS study recommended:-

- bringing together the PAYE and NI contributions systems (subject to a fuller study)
- reducing the number of NI contribution rates
- accepting decisions taken by one department on self-employment or employment as binding on the other department
- visits to employers on PAYE and contributions matters should be integrated

9. Statutory Sick Pay The DHSS study recommended:-

- that smaller employers should be able to opt out of the SSP scheme and forgo the right to reclaim SSP (to save administrative costs)
- some detailed simplifications

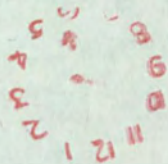
10. Industrial Injuries The DHSS study recommended a number of simplifications related to:-

- keeping accident records
- details of earnings for Special Hardship Allowance
- Occupational deafness
- other prescribed diseases.

11. Response to recommendations Officials generally recommend the proposals in the scrutiny (some subject to fuller study) with one reservation. The policy Division recommend that the proposal that small employers should opt out of Statutory Sick Pay should not be pursued but PS(SS) and MS(SS) have agreed it merits further urgent consideration.

12. Implementation PS(SS) will sit on an inter-Ministerial Committee chaired by Lord Young, to oversee the implementation of agreed recommendations in the central and departmental reports.

Rayner: Gov. Mack. A17.



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