

Ref. A01387

PRIME MINISTER

The Financial Treatment of Strikers and their Families

(MISC 33(80) 5)

BACKGROUND

When the Cabinet discussed the treatment of strikers and supplementary benefit at their meeting on 20th December 1979 (CC(79) 26th Conclusions, Minute 6) they were unwilling to accept the proposal put forward by the Secretary of State for Industry with the agreement of the Chancellor of the Exchequer and the Secretaries of State for Employment and for Social Services, under which all strikers would be "deemed" to have an income of £10 a week. The scheme as then presented made no distinction between unionists and non-unionists. It was this latter feature which aroused the strongest opposition. You subsequently asked officials to prepare a report setting out the various options in this field. It is that report which is the subject of tomorrow's meeting. Assuming that a common line can be agreed tomorrow, the subject will then have to go back to the Cabinet for decision.

2. The report looks comprehensively at the whole range of possible options. Eleven have been identified. The main task of your group will be to reduce the choice to a manageable number for Cabinet, and perhaps, if possible, to come up with a unanimous recommendation.

3. The options are displayed in full in Part V of the report (paragraphs 26-43) and are summarised in the table immediately following paragraph 44. In considering them your colleagues may find it helpful to come to a view on four prior questions discussed elsewhere in the report, namely:-

(a) Whether, in operating the supplementary benefit system, it is possible to distinguish between members and non-members of trade unions.

Officials believe that it is possible to do so; Mr. Jenkin at Cabinet was less sure.

(b) Whether it is possible to distinguish between the various types of industrial dispute which arise (notably between strikes and lock-outs). Officials believe that this is not possible.



1937

MINISTRY OF FINANCE

Handwritten marks at the top of the page, including a horizontal line, a vertical dashed line, and a small triangle.

3

Horizontal line across the page.

Vertical line running down the center of the page.

Horizontal line near the bottom of the page.

Handwritten signature or initials.

- (c) Whether it is possible, whatever arrangements are made, for the Government to disavow responsibility for cases of severe hardship arising from the dispute, i.e. going beyond the extraneous "fire and flood" categories which are assumed to merit help in any circumstances. Officials judge it not to be possible for the Government to stand back this far.
- (d) Whether it is possible to rely on trade union organisation coping with a sophisticated workload arising from new arrangements. Officials believe that many unions cannot at present cope in such circumstances.

4. If your colleagues agree with officials' views on these questions then options A and B fall because they would in effect require the unions to take over the responsibilities of the DHSS - a task which is beyond their capabilities. Of the remaining options C (make the unions pay strike pay) and D (make the unions repay supplementary benefit paid to their members) place a direct financial charge on the unions, but would otherwise provide the same measure of protection for those affected by industrial disputes as the present arrangements. The other options apply indirect pressure to the unions by reducing the funds available to those affected by industrial action. In the case of F - deferment of tax refunds - the pressure would apply to all affected by industrial action. The others would affect those who qualify for supplementary benefit (a minority of those involved in most disputes).

HANDLING

5. After seeing whether any colleagues dispute the views of officials on the points set out in paragraph 3 above, you might work through the options:-

Option A and Option B: almost certainly fall through union incapacity.

Option C (a legal requirement on unions to pay strike pay): would have a very direct effect on union funds if it could be made to stick, and the non-unionist would be protected.

Option D (charging the unions after the event with the cost of supplementary benefit to their members): would have a smaller - though significant - effect on union funds and would similarly protect the non-unionist.

Option E (supplementary benefit recoverable from individuals): workable but would apply little pressure on the unions. In equity non-members would also have to repay.

Option F (defer tax refunds): would be an effective deterrent but may be ruled out by past commitments. If colleagues are nevertheless attracted by it, the Chancellor might be asked to consider it further. It is in any case an addition rather than an alternative to the other options.

Option G (reduce disregards): would apply marginal extra pressure to those in receipt of supplementary benefit, but difficult to distinguish in equity between union and non-union members.

Option H (reduce the "requirements" level): is Mr. Nott's suggestion in Cabinet. The real difficulty is presentational because it involves treating strikers (and those laid off or locked out) more harshly than other supplementary benefit recipients (e.g. including the families of convicted criminals).

Option I (the "deeming" option): is that previously considered by Cabinet, but modified to distinguish between union members and non-union members. Those of your colleagues who proposed the earlier scheme may be attracted by this version.

Option J (disqualification for unemployment benefit when laid off): could be combined with other options. The proposal to reverse the earlier legislation has been raised by one particular group of employers, and it might be desirable to consult more widely before a decision is taken. Again, however, this is a measure which can be taken as an addition to other options. Mr. Prior might be asked to report separately.

Option K (the "sword of Damocles"): seems unlikely to have much effect.

6. When the Group has considered the various options, you will wish to consider further the issues of timing, and, if options G, H or I are favoured, the question of the size of the financial penalty. The latter is discussed in paragraph 25 of the paper.

CONCLUSION

7. You may wish to invite the Secretary of State for Industry, as the author of the previous version, to prepare a short paper summarising the Group's conclusions for submission to Cabinet.

Stephen Whitch

for ROBERT ARMSTRONG

11th February, 1980