



K 10.
File
Social Services

10 DOWNING STREET

cc Master set

cc Mr Wolfson
Mr A. Duguid

From the Private Secretary

13 February 1980

THE FINANCIAL TREATMENT OF STRIKERS AND THEIR FAMILIES

The Prime Minister held a meeting last evening to discuss the options regarding the financial treatment of strikers and their families. The following were present in addition to the Home Secretary: the Chancellor of the Exchequer, the Secretaries of State for Employment, Industry, Social Services and Trade, Mr. D. Wolfson, Mr. J. Hoskyns and Mr. P. Le Cheminant. The meeting had before it the report by officials which had been commissioned by the Prime Minister following the Cabinet discussion on 20 December.

Ministers considered each of the options set out in the officials' report and the following were the main points made in discussion:

- v (i) Option A: It was pointed out that this would involve a very fundamental change, and that, if adopted, it would have to be accompanied by new hardship provisions. On the other hand, it was argued that to some extent this would restore the position to what it had been before the 1966 Social Security Act. Before this Act, strikers had obtained National Assistance for their families relatively infrequently; by introducing the concept of entitlement, the Act had encouraged strikers to apply for Supplementary Benefit. Against this, however, it was pointed out that nothing was actually done in the 1966 legislation to make Supplementary Benefit for strikers' families more widely available than National Assistance had been. It was generally agreed that this option was not worth pursuing.
- (ii) Option B: It was argued that this option would be ineffectual. Strong unions would demand that their obligation to repay money due to the Government should be taken into account in settlements. Furthermore, as strikes went on, unions would come back to the Government for additional money; and the Government would appear to be financing their continuation. In theory, any funds lent by the Government to unions might be repayable by individual members after they returned to work. But this would cause considerable bitterness - not least because, after a prolonged strike, the individual striker might owe the Government very considerable sums of money. It was generally agreed that this option was also not worth pursuing.

/(iii)

CONFIDENTIAL

(iii) Option C: It was argued that unions would disobey the law and simply fail to pay strike pay at the required level. Again, this was not worth pursuing.

(iv) Option D: The same considerations applied, and this option should not be pursued.

(v) Option E: It was pointed out that this would not diminish the income of strikers' families during a strike, and - as already argued in relation to Option B - recovery of the money after the strike would prolong the bitterness.

This option, too, should not be pursued.

(vi) Option F: It was pointed out that the great majority of strikers were not eligible for Supplementary Benefit. The proposition that tax refunds should be deferred to the end of the strike or the end of a tax year had the great merit, compared with the other options, that it would create a disincentive to strike generally. It would also be worth making Supplementary Benefit for strikers' families taxable; and indeed, it would be inequitable not to tax strikers' Supplementary Benefit if, as had already been decided, unemployment benefit was to become taxable. But, as with unemployment benefit, it would not be possible to tax Supplementary Benefit for strikers' families until 1981 at the earliest. On the other hand, it was pointed out that if tax refunds were to be deferred, those families receiving Supplementary Benefit during a strike would receive more than they do at present. In most cases, the total amount of benefit-come-rebate would be more than it is now. While this option seemed one of the most promising, the latter problem would need to be considered further.

(vii) Option G: It was argued that this option was a possibility but it ought to be considered alongside the "deeming" option I with which it interlinked. In any event, it would not be desirable to eliminate present disregards given for the wife's earnings, and it might well be sensible to increase the disregard for strike pay as a counterpart to "deeming" under Option I.

(viii) Option H: It was argued that the "requirements level" should be held steady for strikers while for non-strikers it would continue to rise with inflation. However, this would have only a slow effect. If the "requirements level" for strikers was reduced by an arbitrary figure, it would be hard to defend since it would imply that strikers' families "need" less money than other people. Against this, it was pointed out that this was no different in effect from the "deeming" option. Accordingly, it would be worth considering further as an alternative to "deeming".

(ix) Option I: It was pointed out that the "deeming" proposal had been opposed in Cabinet because it had been thought impossible to distinguish between unionists and non-unionists. DHSS now advised that it was possible to make this distinction. Accordingly, there was much to be said for the proposal. It would be right to exclude non-unionists partly because they had no possibility of receiving strike pay and partly because otherwise it would look as if the Government were inciting them to become union members. As for the amount that should be "deemed" it would be better to start at, say, twelve pounds and announce that this would be increased progressively.

(x) Option J: It was argued that narrowing the qualification for unemployment benefit to what it had been before the Employment Protection Act 1975 would result in pressure being brought to bear on strikers by those laid off following a strike. On the other hand, the pre-1975 position had produced cases of real and unjustified hardship - particularly for those who were in the same "grade and class" as the strikers but who had no interest in the dispute. It was agreed that this option was not a real alternative to the others, but should be considered further on its own merits. There might at least be a case for returning the qualification for unemployment benefit some way to what it had been before 1975.

(xi) Option K: It was agreed that this was a non-starter.

Summing up this part of the discussion, the Prime Minister said that Ministers had now narrowed the options down to a combination of option F and either options H or I. Officials should now consider these options further and prepare a report for Ministers with a view to final decisions within the next few weeks.

Finally, there was a short discussion about timing and legislation. Legislation would be needed for each of the favoured options, and it was important that it should be enacted before next winter. The Secretary of State for Social Services said that the provisions could be included in the Social Security No. 3 Bill which he was proposing should cover the de-indexation of short-term benefits and the abolition of the earnings related supplement. The Prime Minister said that it would be better if the provisions on strikers' benefits could be included in the Finance Bill. The Chancellor said that he would consider this, though he was not confident that it would be possible.

I am sending copies of this letter to John Wiggins (HM Treasury), Ian Fair (Department of Employment), Ian Ellison (Department of Industry), Don Brereton (Department of Health and Social Security), Stuart Hampson (Department of Trade) and to David Wright (Cabinet Office).

I. P. LANKESTER

J. A. Chilcot, Esq.,
Home Office.

sol.

LB