

12 March 1980

PRIME MINISTER

Original with
John Hoskyns.

1. Cabinet is being asked to choose between two alternative approaches to reduced Supplementary Benefits for strikers' families:
 - (a) "Deeming" union members to be receiving £12 per week of strike pay - whether they are or not.
 - (b) Declaring that the families of all "strikers" will receive £12 less than other Supplementary Benefit recipients.
2. The advantage claimed for (b) is that it is not directed specifically at union members and therefore likely to provoke a rather less sharp response from the trade unions. For union members, however, it is argued that (b) would still put pressure on trade unions to make up the £12 through strike pay.
3. We still prefer (a). One strong reason for this is that not everyone treated as a striker is a willing participant in the dispute. There are a few people who may be locked out, but we do not think that is a significant problem. More importantly, there will be non-unionists who are laid off as a result of a strike. If these people have a direct interest in the outcome - ie they will benefit from the pay increase won by those who started the strike - they are treated in the same way as strikers. Already, these families receive £15 less than other SB recipients - eg the unemployed - because the wage-earner himself is considered to be involved in a trade dispute. If the family's entitlement is to be reduced by a further £12, they will be £27 worse off than other SB recipients. But they may be unwilling participants in the dispute, and have no source of funds. This seems unjust.
4. In short, to treat non-unionists in the same way as union members involves rough justice in order to buy a little less protest from the trade unions themselves. This amounts to giving in to trade union power in a way which many of our supporters will regard as cowardly.
5. If colleagues feel that (a) makes too sharp a distinction between union members (who would be deemed) and non-unionists (whose SB entitlement would be unaffected, except for the small changes in the disregards) there is a possible compromise. This would be to offer the £12 element to non-unionists as a recoverable loan only. This would

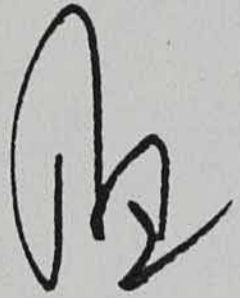
avoid a charge that the Government was discriminating unfairly between unionists and non-unionists. It would be discriminating, but the unionist would be expected to bridge the £12 gap through his union (ultimately, his own money paid in subscriptions) while the non-unionist was offered a £12 loan which he was obliged to repay. But we still think (a) is fairer and cleaner.

6. We also think it is important that the present decision should be seen as the first step in tackling the problem of state support for strikes. In the longer-term, the Government's aim should be to eliminate Supplementary Benefits for strikers' families, by shifting the burden to the unions. We favour making this clear as a long-term objective, and indicating that the deeming level will be increased gradually in real terms. If colleagues agree - or if they simply want to keep this option open - (b) will not do, since it would mean an increasing squeeze on the non-unionist unwillingly caught up in a dispute. The difficulty of squeezing this group further and further would, quite understandably, act as a barrier to any further increase in the deeming level. Some colleagues may not have thought about this because they don't really believe in moving towards complete elimination of SB for strikers' families. This point is important.

7. Finally, it is possible that someone may suggest that the way out of the difficult choice between (a) and (b) is to change the rules and make those laid off by a dispute eligible for full SB in future. This would be very dangerous. It would encourage unions to adopt the tactic of bringing a small number of carefully selected people out on strike, causing a larger number to be laid off - on full Supplementary Benefits. That is why we cannot remove the problem of the unwilling participants. We either treat them unfairly, (b), or we open ourselves to the charge of discrimination against trade union members, (a). We believe that this charge can be rebutted because most people know that trade unions are perfectly capable of paying strike pay. Indeed, they are rather more likely to be pressured into doing so under (a) - which explicitly refers to strike pay - than under (b). To the extent that (a) is more successful in making unions pay strike pay, the cost will become an important element in union decision-making about strikes. It is worth

Recalling that the ISTC simply could not have sustained strike pay for 10 weeks in the current steel dispute - atypical though this may be.

I am copying this minute to Keith Joseph.

A handwritten signature in dark ink, appearing to be 'JH', written in a cursive style.

JOHN HOSKYNS