

PREM 19/1637

PART 4

Confidential Filing

Taxation of Short Term Benefits, Supplementary Benefits and Strikers Benefits. Payment of benefits to strikers.

Proposed cut of ~~of~~ the Benefit Limit. Family Income Supplement (F.I.S.) and the Unemployed.

SOCIAL SERVICES

Part 7: June 1979

Part 4: July 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
22.7.80							
2.9.80							
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PT 4
GNDS

PART 4. ends:-

STRIKERS' DEDUCTIONS FROM BENEFIT 21/11/84

PART 5 begins:-

HANSARD EXTRACT (LORDS) 28/10/86

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Command 8464 – Public expenditure on the social services reply by the government to the third report of the select committee on social services, session 1980-81. Published by HMSO 23 December 1981. ISBN 9780101846400

Signed *S. Gray* Date *24/2/2014*

PREM Records Team

STRIKERS' DEDUCTION FROM BENEFIT

File

Main rules of entitlement

People involved in trade disputes are not entitled to supplementary benefit for their own requirements. They are entitled to benefit for dependants (eg wife at non-householder rate + children). Housing costs are paid on top if they receive sup ben.

Since 1980 a "specified sum" is deducted from any supplementary benefit payable. From 26 November this sum will be £16.

Why deduct £16?

It is not reasonable for the taxpayer to meet the full costs of looking after the dependants of someone on strike. If a person is involved in a strike it is fair to assume he has made some provision for their needs.

Does the deduction assume the strike is official or that strike pay is paid?

No. The deduction applies to those involved in trade disputes. (Whether strike pay is paid or not is a matter between the striker and his union.)

Why uprate the specified sum?

(No 2)

Section 6(2) of the Social Security/Act 1980 requires that the specified sum is increased at the time of the general benefit uprating. It has therefore been uprated every year as follows:

1980	£12
1981	£13
1982	£14.50
1983	£15
1984	£16.

How is the uprating calculated?

Section 6(2) of the Social Security (No 2) Act ¹⁹⁸⁰ lays down the uprating formula. Broadly, the specified sum is uprated in line with the RPI (5.1% this year) and the result is rounded to the nearest 50p.

How many strikers gain/lose?

About 85% of striking miners receiving supplementary benefit will have a net increase in benefit at 26 November, because the higher sup ben rates are more than the increased deduction. Almost all the rest will have no change, because the extra £1 deduction equals their benefit increase. A very small number (those with no wife but with one child (whatever age), or 2 children (but only if under 11) will lose up to 55p. Precise numbers are not available, as the return to work is changing the picture daily and statistics on those without dependant wives are not kept. But estimates suggest around 30,000 gainers, 6,000 with no change and possibly 100 - 200 losers.

Illustrative changes

	Scale rate increase 26.11.84	Net effect after extra £1 deduction
Wife only	£1	neutral
Wife + 1 child under 11	£1.45	+ 45p
Wife + 2 children under 11	£1.90	+ 90p
Child under 11	45p	- 55p
2 children under 11	90p	- 10p
2 children, 1 under 11, 1 between 11 and 15	£1.10	+ 10p

Supplementary Benefit

Mr. Robert Atkins asked the Secretary of State for Social Services what is the amount of the reduction in supplementary benefit paid to strikers families consequent upon the current year's uprating of benefit.

Dr. Boyson: The new rate of deduction, from 21 November 1983, will be £15. It has been increased by the same percentage as has the benefit to which it applies.

TRANSPORT

Container Terminal, Falmouth

Mr. Mudd asked the Secretary of State for Transport if he has yet received a further application from Falmouth Container Terminal Limited for section 9 approval under the Harbours Act 1964; and how long he anticipates it might take to determine such an application.

Mr. David Mitchell: Yes. The proposal needs careful consideration. I cannot be specific on timing, but my right hon. Friend will announce his decision as soon as possible.

Road Accident Statistics

Mr. Waller asked the Secretary of State for Transport if, for the most recent available period since 31 January, he will give accident casualty figures for each category of road user, stating the number of (a) fatalities, (b) serious injuries and (c) minor injuries; and if he will provide comparable figures in each of the three previous years.

Mrs. Chalker: The data required are available in "Road Accidents Great Britain", copies of which are in the Library: 1979 data are in table 26, 1980 data in table 20, and 1981 data in table 23 of the respective editions. Summary figures for the first quarter of 1982 are given in "Road Accidents and Casualties—1st quarter 1983", which is also in the Library. Figures for the second quarter will be compiled shortly.

FOREIGN AND COMMONWEALTH AFFAIRS

Soviet Union (Baltics States)

Mr. Waller asked the Secretary of State for Foreign and Commonwealth Affairs what recent actions have been taken by Her Majesty's Government to indicate to the Soviet Government that they do not recognise the incorporation of the Baltic states into the Soviet Union as lawful.

Mr. Rifkind: We support the right of all peoples to self-determination and deplore any infringement of national sovereignty. Successive British Governments, while recognising de facto the incorporation of the Baltic states, have not recognised this incorporation de jure. There has been no change in this policy.

Foreign Affairs Councils

Mr. Tapsell asked the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on the membership of the Foreign Affairs Councils which have met since the beginning of the summer recess.

Mr. Rifkind: I represented the United Kingdom at the Foreign Affairs Councils which have taken place since the summer recess. At the 19 September Council

in Brussels Ministers discussed a Presidency out for consideration the main elements of the future relationship between the Communities and Greenland. The Council paper further in November in the 1983 Commission proposals.

The Council approved the Community negotiations on a successor to the convention. My right hon. Friend the Overseas Development subsequently re-visited the United Kingdom at the formal opening negotiations which took place in Luxembourg in October.

At the 19 September Foreign Affairs Council at the 17-18 October Council I underlined the appropriations entered in the draft supplementary budget No. 2 for 1983 in respect of payments to the United Kingdom did not discharge the obligation entered into by the United Kingdom in the conclusions of 26 October 1982 and called on the Community institutions to take the necessary matter of urgency to ensure that the United Kingdom received its entitlement in full.

Following an interim report to the September Council the Commission made a further report to the Council on its consultations in the GATT States measures against European Community steel imports. The Council noted that, although there has been some limited progress, the United Kingdom towards compensation was still unsatisfactory. The Council emphasised the importance of the matter being managed in a manner which took fully into account the interests of European Community exporters in securing exemption from the United States on some products. The Commission is continuing its efforts to achieve an adequate settlement. A general agreement in the Council on the arrangements in 1984 of the arrangements for voluntary re-exports of imports from third countries. The Commission's proposals for 1984 will be discussed further at the November Foreign Affairs Council.

At the October Council, Ministers agreed to be expressing grave concern over the continuing imbalance in trade trends between the Community and Japan. The full text has been deposited in the Library. It reflected, in particular, agreement that the Community should be made to persuade Japan to take steps which would increase her manufactured imports. The Community's action in the GATT should be reviewed again at a future meeting in the light of Japan's performance; and that it remained important that the Community should reflect better the strength of the Japanese economy. The Council noted the forthcoming discussion on moderation in exports to the European Community sensitive sectors, and invited the Committee of Representatives to explore further the possibilities of industrial co-operation with Japan and an agreement on scientific and technical co-operation. A majority of delegations endorsed in principle the proposal to increase the tariff on digital audio discs. These measures have the effect of emphasising to the Japanese the need to take effective action to reduce the trade imbalance with the Community.

In response to requests from several delegations, including the United Kingdom, for a supplementary

the supplementary benefit to which a wife is entitled becomes withheld owing to the operation of the regulations which deem a wife's entitlement to be assessed as part of a family unit even though that wife may be temporarily living away from her husband and conducting her financial arrangements independently; and if he will make a statement.

Mr. Newton: In the assessment of claims for supplementary benefit, the principle that the resources and requirements of married couples must be aggregated reflects the assumption that husband and wife have a mutual obligation to provide for each other. This principle continues to operate even where one partner is temporarily away from home. If, however, in these circumstances a husband is no longer supporting his wife, there is provision under the urgent cases regulations for her to claim supplementary benefit in her own right. Benefit would be paid at a reduced rate for the first two weeks, as with all urgent needs payments, but if the situation continued beyond two weeks payment would be at the normal rates for a single woman in similar circumstances.

If the right hon. Member has a particular case in mind perhaps he would write to me.

Mrs. Renée Short asked the Secretary of State for Social Services if he will publish in the *Official Report* a table showing the total number of persons in receipt of supplementary benefit in (a) Wolverhampton and (b) the West Midlands at the latest available date, together with a breakdown of these figures by claimant group, registered unemployed, sick and disabled, unemployed in receipt of the long-term scale rate, one-parent families, pensioners and others.

Mr. Newton: Information at February 1982, the latest available date, is as follows:

	Wolverhampton*	West Midlands Social Security Region
Supplementary allowance cases:		
Sick and disabled	1,500	23,300
Single parent families†	2,600	39,700
Registered unemployed	14,600	195,200
Unemployed on long-term scale rate	100	2,500
Others	500	7,900
‡Total supplementary allowances	19,400	268,500
Supplementary pensioners	10,800	166,500
Total supplementary beneficiaries	30,200	434,900

* The two Wolverhampton offices may also deal with people who live outside Wolverhampton.

† Excludes some one parent families in other groups, for example, widows with national insurance benefit and those who are unemployed.

‡ Sub-heads do not add to totals because of rounding.

Source: 100 per cent. count of cases in action February 1982.

Mr. Peter Lloyd asked the Secretary of State for Social Services if he will now announce the November 1982 changes in those rates of supplementary benefit which were not available at the time of his uprating statement on 10 March.

Mr. Fowler: The changes are as follows:

	Current rate(s) £	November 1982 rate(s) £
Non-householder's housing contribution	2.55	3.10
Standard non-dependant's housing contribution	5.40	6.55
Modified non-dependant's housing contribution	2.55	3.10
Board and lodging meals allowances		
Breakfast	0.90	0.95
Lunch	1.25	1.35
Dinner	1.25	1.35
Expenses incidental to sub-letting		
Furnished	2.30	2.30
Unfurnished	1.15	1.25
Other (eg for garage)	0.30	0.35
Deductions for fuel from inclusive rents		
Heating	5.10	5.60
Cooking	0.60	0.65
Hot Water	0.60	0.65
Lighting	0.40	0.45
Repairs and insurance allowance	1.65	1.70 (from 1 April 1983)
Extra provision for board and lodging charges		
Claimants under pension age with an underlying entitlement to the long-term scale rate, up to	5.75	6.30
Claimants under pension age or dependents, who are infirm because of a mental or physical disability, up to	6.50	7.00
Claimants over pension age, or who satisfy both of above conditions or who are in care accommodation not provided by a local authority or an area health authority, up to	12.25	13.30
Central heating addition		
Lower rate (1-4 rooms)	1.65	1.90
Higher rate (5 or more rooms)	3.30	3.80
Lower rate dietary addition	1.30	1.45
Higher rate dietary addition	3.05	3.35
Dietary addition for dialysis	8.70	9.60
Amount above which laundry expenses may be met	0.40	0.45
Reduction in benefit paid to strikers for their families	13.00	14.50
Disregard of union strike payments		
Direct deduction from benefit for housing and fuel debts:		
Basic rate (5 per cent. of single householder rate)	1.20	1.30
Higher rate for fuel (10 per cent. of single householder rate)	2.35	2.60
Personal expenses rate for claimants in:		
Resettlement units	5.90	6.55
Re-establishment centres	7.75	8.55
Ilford Park Polish Home	8.55	9.45

Mr. Tilley asked the Secretary of State for Social Services if, further to his answer of 29 April, *Official Report*, c. 331, he will place in the Library a copy of the new instructions to staff in supplementary benefit offices on the handling of claims to supplementary benefit of people from abroad.

Mr. Newton [pursuant to his reply, 17 May 1982, c. 42]: Pending publication of the S manual, we do not think it appropriate to make available piecemeal the Department's procedural circulars, as distinct from the guidance in chief supplementary benefit officer's memoranda, which are already published. In this case, however, procedures and guidance have for practical

1979 Counsellors
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Although the Government refused our offer of support to carry them through the House of Commons last January, our proposals command general assent inside and outside the trade union movement.

1. PICKETING

Workers involved in a dispute have a right to try *peacefully* to persuade others to support them by picketing, but we believe that right should be limited to those in dispute picketing at their own place of work. In the last few years some of the picketing we have witnessed has gone much too far. Violence, intimidation and obstruction cannot be tolerated. We shall ensure that the protection of the law is available to those not concerned in the dispute but who at present can suffer severely from secondary action (picketing, blacking and blockading). This means an immediate review of the existing law on immunities in the light of recent decisions, followed by such amendment as may be appropriate of the 1976 legislation in this field. We shall also make any further changes that are necessary so that a citizen's right to work and go about his or her lawful business free from intimidation or obstruction is guaranteed.

2. THE CLOSED SHOP

Labour's strengthening of the closed shop has made picketing a more objectionable weapon. In some disputes, pickets have threatened other workers with the withdrawal of their union cards if they refuse to co-operate. No union card can mean no job. So the law must be changed. People arbitrarily excluded or expelled from any union must be given the right of appeal to a court of law. Existing employees and those with personal conviction must be adequately protected, and if they lose their jobs as a result of a closed shop they must be entitled to ample compensation.

In addition, all agreements for a closed shop must be drawn up in line with the best practice followed at present and only if an overwhelming majority of the workers involved vote for it by secret ballot. We shall therefore propose a statutory code under Section 6 of the 1975 Employment Protection Act. We will not permit a closed shop in the non-industrial civil service and will resist further moves towards it in the newspaper industry. We are also committed to an enquiry into the activities of the SLADE union, which have done so much to bring trade unionism into disrepute.

3. WIDER PARTICIPATION

Too often trade unions are dominated by a handful of extremists who do not reflect the common-sense views of most union members.

Wider use of secret ballots for decision-making throughout the trade union movement should be given every encouragement. We will therefore provide public funds for postal ballots for union elections and other important issues. Every trade unionist should be free to record his decisions as every voter has done for a hundred years in parliamentary elections, without others watching and taking note.

We welcome closer involvement of workers, whether trade unionists or not, in the decisions that affect them at their place of work. It would be wrong to impose by law a system of participation in every company. It would be equally wrong to use the pretext of encouraging genuine worker involvement in order simply to increase union power or facilitate union control of pension funds.

TOO MANY STRIKES

Further changes may be needed to encourage people to behave responsibly and keep the bargains they make at work. Many deficiencies of British industrial relations are without foreign parallel. Strikes are too often a weapon of first rather than last resort. One cause is the financial treatment of strikers and their families. In reviewing the position, therefore, we shall ensure that unions bear their fair share of the cost of supporting those of their members who are on strike.

Labour claim that industrial relations in Britain cannot be improved by changing the law. We disagree. If the law can be used to confer privileges, it can and should also be used to establish obligations. We cannot allow a repetition of the behaviour that we saw outside too many of our factories and hospitals last winter.

RESPONSIBLE PAY BARGAINING

Labour's approach to industrial relations and their disastrous economic policies have made realistic and responsible pay bargaining almost impossible. After encouraging the 'social contract' chaos of 1974-5, they tried to impose responsibility by the prolonged and rigid control of incomes. This policy collapsed

Official Report

3.31 pm

Mr. Archy Kirkwood (Roxburgh and Berwickshire): On a point of order, Mr. Speaker. I do not wish to detain the House, because I know that an important debate is about to begin, but I seek your guidance on the content of the *Official Report* of 22 November. At column 493, the Minister for Overseas Development is quoted in the final paragraph as saying:

"It may be a calculation".—[*Official Report*, 22 November 1984; Vol. 68, c. 493.]

I understand from inquiries that were made on Friday that the Minister said, "It may be a cut". In the context of Thursday's debate, which was on a Liberal motion, the difference between "cut" and "calculation" is more than semantic, and I seek your guidance on how the appropriate direction may be given to the Editor of the *Official Report* to make the correction.

Mr. Speaker: I thank the hon. Gentleman for giving me notice of his point of order, which enabled me to look into the matter. I have discussed it with Editor of the *Official Report*, who tells me that it was an error made within his Department, for which he takes responsibility. It had nothing to do with the Minister or his officials, and the necessary correction has been made.

Ministerial Statement

3.33 pm

Mrs. Ann Clwyd (Cynon Valley): On a point of order, Mr. Speaker. Is it in order for the Secretary of State for Energy, as he did during Question Time, continually to denounce the violence of pickets without at the same time denouncing the violence of other people who take part in pickets—

Mr. Speaker: Order. The hon. Lady is a relatively new Member of the House, and I must tell her that it is not appropriate to try to continue, through points of order, matters which could be raised at Question Time. I called the hon. Lady to ask a question. What a Minister or anyone else says in the House is a matter for him, as long as it is in order. I cannot be responsible for his answers.

STATUTORY INSTRUMENTS, &c.

Ordered,

That the draft Pneumoconiosis etc. (Workers' Compensation) (Payment of Claims) (Amendment) Regulations 1984 be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Lang.*]

Opposition Day

[3RD ALLOTTED DAY] [FIRST PART]

Miners' Families (Benefits)

Mr. Speaker: I must tell the House than many right hon. and hon. Members have said that they wish to take part in this important debate. I remind the House that the debate will end at 7 o'clock and, as I have no power under the Standing Order recently agreed by the House to limit speeches to 10 minutes, I appeal to hon. Members to speak briefly.

I have selected the amendment in the name of the Prime Minister.

3.34 pm

Mr. Michael Meacher (Oldham, West): I beg to move,

That this House, noting that the Government postponed revealing its provocative decision to make a further £1 deduction in social security benefits for the families of striking miners until the last possible moment in order to stifle debate, noting too that this increase of £1 was neither automatic nor necessary but gratuitously vindictive when it has been introduced after eight months of a bitter strike, believing also that this increased disqualification of benefit will sharply inflame the bitterness of this dispute because it will be seen as the use of yet another weapon by the Government to starve the miners back to work through intensified financial hardship, calls upon the Government to withdraw this Order and to use negotiation, not the deprivation of families, wives and children as the means to resolve this dispute.

The Opposition have demanded this debate because we believe that the deductions of supplementary benefit penalise the wives and children of workers on strike and are fundamentally unjust. In particular, we believe that this extra deduction of £1, eight months into a bitter strike, is exceedingly provocative, and gratuitously provocative, because it was neither automatic nor necessary and will greatly inflame and worsen the bitterness which already exists in the coalfields and elsewhere.

A man who is not on strike but who is in receipt of supplementary benefit for other reasons, who is married and has a child of, say, 10 years old, receives as from today's uprating, £55.15 a week, plus rent. This supplementary benefit level is conventionally regarded as the state poverty line, as the minimum on which a family can get by. If any Tory Member of Parliament thinks that it is other than the barest minimum for survival he should have a word with the hon. Member for Derbyshire, West (Mr. Parris), who, in a famous televised episode, found himself unable to get by on that amount of money for even a week.

For a striking miner with a wife and a 10-year-old child, that minimum survival payment, on which a Tory Member of Parliament could not subsist, has today been cut back, by the order about which we are concerned, to precisely £16.05 a week, plus rent. That is a huge drop of more than two thirds below the state poverty line. I wonder how many Tory Members of Parliament, in all humanity, have any inkling of what it is like to be condemned to live on such a level.

The miner, as a worker on strike, does not receive supplementary benefit for his own needs. However, the deduction of an additional £16 a week means that the

Service—that recruitment and promotion should be on the merits of the individual — should and will be maintained.

Cabinet Office (Efficiency Unit)

57. **Mr. Eggar** asked the Minister for the Civil Service how many individuals are currently working in the efficiency unit of the Cabinet Office.

Mr. Hayhoe: The efficiency unit works under the direction of Sir Robin Ibbs, the Prime Minister's adviser on efficiency. It has eight staff, including two secretaries and a clerical officer.

Mr. Eggar: Is it not surprising that there are so few staff in this unit? Does it mean that the Government are now relying more on Departments internally to improve their own efficiency?

Mr. Hayhoe: The efficiency unit is deliberately small. Indeed, Lord Rayner recently said that Goliath should be matched with David, not with a smaller version of Goliath. I hope that my hon. Friend will say "Hear, hear" to that. Improvements on the scale we seek can come only when public servants at every level and in every Department are concerned to see that we get better value for money. The efficiency unit is a useful spur and incentive to achieve just that.

Mr. Soley: What guarantee can the Minister give to those people that the principle of national security will not be invoked to prevent them or any other group of civil servants from joining trade unions?

Mr. Hayhoe: I readily repeat the guarantees that were given time and again from this Dispatch Box by my right hon. Friend the Prime Minister and by my right hon. and learned Friend the Foreign Secretary when the affairs of GCHQ were rather more prominent in the public mind.

Mr. Wrigglesworth: Will the Minister reconsider that answer? Is he aware that, in view of the House of Lords decision on GCHQ, many civil servants employed in offices such as the Home Office, the Cabinet Office and the Ministry of Defence worry that the pretext of national security may be used to ban trade union membership?

Mr. Hayhoe: No representations of such anxiety have arrived on my desk. It is difficult to see how that question can be linked to the work of the efficiency unit of the Cabinet Office, but one is always amazed by the ingenuity of Opposition Members.

Mr. Cormack: What are the two most notable achievements of the unit?

Mr. Hayhoe: The unit has contributed to the saving of about £330 million a year on current expenditure in the Civil Service and to the saving of as many as 24,000 Civil Service jobs, which are considerable achievements for such a small unit.

miner, his children and his wife are systematically pushed down, not only to the point where they cannot get by but to the point of extreme personal hardship and growing destitution. The Opposition reject and condemn such a policy because it means victimising families and starving children in order to weaken trade unions and force their members back to work by sheer privation.

We also reject this policy because it breaches the fundamental principle of the supplementary benefit scheme, which is to provide sufficient for the basic necessities of life—food, fuel and housing. We reject it because it means treating the families of strikers worse than all other families on supplementary benefit, including the families of convicted criminals. We reject it as well because this reduction is made irrespective of the circumstances and the causes of the dispute, even where, as in this case, it was the employer who provoked the dispute in the first place by the provocative proposal to close Cortonwood only weeks after the miners there had been told that their jobs were safe for years.

By making this deduction the Tory Government are saying that workers are always in the wrong when they become involved in an industrial dispute and that they must be punished for exercising a right which separates democracy from dictatorship. That points to the central issue in contention here. Does today's Thatcherite Tory party—previous Tory parties have not had the attitude of this one—uphold the right to strike, or not? Their words proclaim that Tory Members do, and they are murmuring yes today, but they shamelessly resort to every economic and other device to make such a right unworkable in practice. That includes deliberate manipulation of the social security system to cut back the workers' entitlement so as to weaken their resolve. We have seen this done repeatedly during the dispute.

We have, for example, the continuous denial of family income supplement to miners' wives on the grotesque pretence that the families' incomes are not what they were in the last five weeks, which is the normal assessment period, but what they were 12 months ago before the overtime ban began. Now that that shameless pretence has been exposed and overturned by an industrial tribunal the Government are still preventing the wives of striking miners getting their proper entitlement by stalling their appeal indefinitely.

Mr. Eric Forth (Mid-Worcestershire): The hon. Gentleman is trying yet again to link the freedom to strike with the implication that it is society's duty to support strikers. Many right hon. and hon. Members on the Government Benches maintain that although they support totally the right of individuals to withdraw their labour, which is an absolute freedom, that does not necessarily imply that taxpayers should be obliged to support them when they do it.

Mr. Meacher: The hon. Gentleman has hit on exactly the point to which I am about to come. By far the worst form of deliberate twisting of the social security system is this infamous £16 deduction. In addition to the denial of benefit to the striker himself, it is a double deduction which clearly is meant not in any way to be fair but to cripple the ability to strike at all.

The Tories say that the unions should pay the amount deducted. During questions last Thursday the Prime Minister said:

"If the NUM carried out its obligations, those strikers would be receiving £16 next week."—[*Official Report*, 22 November 1984; Vol. 68, c. 400.]

If the NUM had done exactly that, total NUM funds would have been exhausted within precisely four weeks. In other words, all the Tory platitudes about trade unions taking on their responsibility are a camouflage for bankrupting the unions, for making lengthy strikes unviable and for starving strikers into submission.

There is another reason why the Prime Minister's demand that the NUM pays this £16 is so wrong-headed and unjust. This deduction is being increased to £16 a week at the same time as the NUM, as every hon. Member knows, is no longer able to pay it because all its funds have either been sequestered as a result of court action or, as a result of attempted sequestration, been otherwise immobilised.

I want to put a question to the Prime Minister or to her proxy, the Secretary of State for Social Services. I hope that the Secretary of State will answer it. If the only justification for this deduction is that the NUM should pay it instead, how can it possibly be right to make this deduction today when it is known that the NUM cannot pay? We want an answer to that question, and I shall give way happily to the Secretary of State if he will answer it now. The right hon. Gentleman declines to answer it. There is no satisfactory answer to the question, of course, and that is one central reason why we strongly oppose this contemptible order.

There is another reason. It is that the deduction did not have to be increased by £1 a week. To make it, unnecessarily, eight months into a bitter strike can only be seen as exceedingly provocative and vindictive.

Last Thursday the Prime Minister talked of the deduction being increased by "automatic" formula. It is not automatic. The order has been made under section 6(2) of the Social Security (No. 2) Act 1980, but under section 6(3) the Secretary of State has an option, if he so wishes to bring in alternative regulations to effect an increase in the specified sum deducted which is lower than the rate of inflation, or no increase at all. Therefore, we condemn the Government, not because it is automatic, but because as a matter of policy they rejected that option.

We condemn, too, the pusillanimous manner in which the Government, from the Prime Minister downwards, have tried to hide behind the pretence of automaticity in the formula in order to avoid taking direct responsibility for a highly partisan and callous decision.

The Secretary of State for Social Services (Mr. Norman Fowler): Will the hon. Gentleman accept that unless I introduce secondary legislation to the House there is no way in which these increases will not go ahead?

Mr. Meacher: The Secretary of State is obliged by section 6 to bring in an order. However, that order gives him the option, subject to an affirmative resolution of the House, to bring in an increase of any size that he wishes and not in accordance with the formula that he has chosen. That is the key point.

Mr. Fowler: No, the hon. Gentleman is wrong. He does not understand the law. Even if I had not set down the declaratory order last week, the changes would have taken place automatically. The only way in which they could have been avoided was by my introducing affirmative orders in both Houses of Parliament.

Mr. Meacher: The Secretary of State is simply confirming the point that I have already made. He could perfectly well have brought in alternative orders secondary legislation — to have effected a different result. If the Secretary of State and his colleagues had any humanity, that is exactly what would have been done.

We condemn, too, the hole-in-the-corner evasiveness with which this episode has been handled. Had I not tabled a parliamentary question a week ago which forced an answer from the Government last Wednesday, I have good reason to believe that no mention of the increased disqualification of benefit would have been made before today. If the Secretary of State denies that, I shall be interested to know when, alternatively, it would have been made.

Mr. Fowler: As the hon. Gentleman asks, it was going to be announced on the Wednesday when it was announced.

Mr. Meacher: If the Secretary of State expects us to believe that, he must be extremely gullible. I am sure, from conversations that I have had with the Minister for Social Security, that there was no intention to announce this before today, the very day on which the order—

The Minister for Social Security (Mr. Antony Newton): Without wishing to engage in some great personal wrangle with the hon. Gentleman, may I say for the record that I have no recollection of any conversation which could conceivably have given that impression? I wish to make it clear that there was no intention whatever to leave that matter until today.

Mr. Meacher: I did not particularly wish to bring this matter before the House, but, as the Minister has deliberately raised it, the conversation to which I am referring took place in the Norman Shaw North building after we had both taken part in a television interview. It was in the course of that conversation that the Minister clearly gave me that impression. If that was a false impression, or if I have misinterpreted it, I withdraw what I have said.

Mr. Newton: I do not want to hold the hon. Gentleman up, but he did misunderstand, and that should be clear.

Mr. Meacher: I accept that there may have been a misunderstanding, but, even if I accept the explanation which the Secretary of State and the Minister have given, it is extraordinary that the matter should be brought to the House only five days before implementation. Why was it only brought to the House at the last possible moment when, for example, last year the Government laid the corresponding order on 28 September, two months before implementation? Why was this the sole item that was omitted from the Secretary of State's uprating statement in the summer? Equally, why was that item not mentioned in the Chancellor of the Exchequer's autumn statement two weeks ago? Was it not because the Government hoped to short-circuit any reaction, to stifle debate, to prevent proper discussion in the House and, no doubt, to increase the pressure of hardship on miners' families while the Christmas bonus pay offer was being dangled before them?

Mr. Fowler: Will the hon. Gentleman give way?

Mr. Meacher: No.

Mr. Fowler rose—

Mr. Speaker: Order. I have already mentioned that there is great pressure to speak in this debate.

Mr. Meacher: The Secretary of State will have an opportunity to speak immediately after me and he can make his points then.

Above all, we condemn this squalid little order because it is patently a strike-breaking instrument designed to secure victory in a bitter industrial dispute — not by negotiation, which is the proper way, but by intensifying and redoubling the hardship of women and children.

The Secretary of State admitted in a radio broadcast on Thursday morning that some families would "undeniably" be worse off. The fact is that all families subject to the deduction will be worse off. The full supplementary benefit uprating is needed simply to restore the purchasing power to last year's level, but all those families will be getting £1 a week less than is needed for that purpose.

Mr. Andrew Faulds (Warley, East): Will my hon. Friend accept that I endorse every single aspect of the arguments that he is making in his excellent speech? But will he endorse my view that this is the way to advance these arguments, and not by means of that damaging and ill-judged demonstration the other evening?

Mr. Meacher: As a result of that spontaneous demonstration there has undoubtedly been more attention given to this infamous deduction than would otherwise have been the case, and we also have this debate as a result of that demonstration.

It is ironic that on the day on which the Government are knocking £1 off miners' benefits they are also knocking £1 off the benefits of the poorest pensioners who get the heating allowance. Of course, £1 may not seem much to Cabinet Ministers on £41,000 a year—£800 a week—or to hon. Members on £16,000 a year, but to those on the poverty line or below it the loss of yet another £1 a week is heartbreaking.

If anyone needs a symbol of Thatcherite Britain 1984, it is those two deductions being made on the day of the so-called uprating.

Ministers rage at the intervention of the Churches in this deeply embittered industrial dispute. They do not realise that bishops enter industrial disputes not lightly, but only when they believe that deep moral issues are at stake. The provision of adequate food, fuel and housing for children and their mothers is one such issue. It is an imperative which should never be overridden in any civilised society.

Children have already died in this dispute, scraping for fuel in desperation. Before it is too late, the Government should reconsider what they are doing. For reasons of morality and humanity, we ask the Government to withdraw the order.

3.54 pm

The Secretary of State for Social Services (Mr. Norman Fowler): I beg to move, To leave out from "House" to the end of the Question, and to add instead thereof,

're-affirms the policy established by the Social Security (No. 2) Act 1980 that those on strike should be expected to contribute to the cost of maintaining their families; notes that, consequent on the general uprating on social security benefits, all but a tiny minority of strikers receiving supplementary benefit are being paid the same or more benefit, not less; acknowledges that the Government have as in previous years followed the requirements of the Act in uprating the "specified sum" to be deducted from benefit payable for strikers' dependants; acknowledges that the National Coal Board has negotiated constructively in reaching a

settlement with the National Association of Colliery Overmen, Deputies and Shotfirers on the central issues of the dispute; and condemns the failure of the National Union of Mineworkers either to meet its obligations to its members and their families or to move from its total unreasonable position in negotiations.'

The House will have heard and noted what the hon. Member for Oldham, West (Mr. Meacher) said. His charge is that we have stifled debate, yet at no stage did he condemn, as his hon. Friend the Member for Warley, East (Mr. Faulds) condemned, the action that we saw on Wednesday night.

Mr. Faulds: Will the right hon. Gentleman give way?

Mr. Fowler: In a minute. The hon. Member for Oldham, West talked about spontaneous debate. Frankly, that is the best and biggest commentary upon the leadership of the Opposition Front Bench that I can think of.

Mr. Faulds: The right hon. Gentleman will recall that I passed him a note after the demonstration the other evening. Will he publish it in the Library, because in it I clearly spelt out my opinion of the Government and of his judgment?

Mr. Fowler: I am not sure that the nature of the hon. Gentleman's note lends itself to easy printing in any form. I am sure that he has ways of making his views known.

The central charge by the hon. Member for Oldham, West basically is that the Government are pursuing a direct campaign against the families of those on strike. Let me put two facts to the House.

First, the latest figures show that so far in this dispute £23 million has been paid out to the families of striking miners. Benefit is being paid at the rate of almost £¾ million a week. In addition, every recipient of supplementary benefit has rent and rates paid in full, through housing benefit, and the financial total is added to by the payment of child benefit.

Against that background, I say that it is frankly ludicrous to charge that the Government are pursuing a vindictive campaign against strikers' families. One would be hard pressed to find another country in the world where in such circumstances more is done by the Government.

I would find all those words of the hon. Gentleman a deal more convincing if at any stage in the dispute the National Union of Mineworkers had paid anything to its members' families at all. It has paid for pickets, but not for families.

The second fact is that we are uprating the specified sum at the same time as we are uprating other social security benefits, including supplementary benefit. The result of that is not a loss of £1 for families. The result is that the vast majority of families—85 per cent.—receive more in benefit, not less.

The latest figures show that on 6 November 35,000 strikers' families were receiving supplementary benefit. That figure has almost certainly now been reduced as a result of the accelerating return to work. On the basis of those figures, 30,000 families will be receiving more benefit this week than they did last week. All but a handful of the remainder will receive exactly the same as last week. We estimate that perhaps 100 or 200 families will be subject to a maximum weekly loss of 55p. That means that 85 per cent. of families will gain cash, and that no families will lose £1. Again I say that it is frankly ludicrous

to charge that we are attacking strikers' families when we are, in fact, in the vast majority of cases, paying them more this week than last week.

Mr. Dave Nellist (Coventry, South-East): Will the Secretary of State explain to the House and to those listening to the debate exactly who will be worse off? Is it not a fact that a striking miner who is a widower or divorced—in other words, who does not have a wife, but has one or two children to bring up on his own—is the person about whom the Secretary of State is talking? Is he not talking about those with the least amount of money, who are hit hardest by the cuts?

Mr. Fowler: About 85 per cent. of families will receive more cash, and the majority of the remainder will receive the same amount. The hon. Gentleman is talking about the man whose dependent wife has left home. To that extent the hon. Gentleman is correct, but he will concede that the only way in which such a family will be put in such a position is in relation to mortgage interest, which is already being paid, and about which there is controversy.

The heart of this debate is where responsibility lies for a striker and his family. The case of the hon. Member for Oldham, West is simple. He believes that responsibility rests with the public; in other words, that the public should bear the losses that are being made, should suffer any consequences of the strike and should bear the total cost of support during the strike. He says that he has the NUM's support for that view.

Millions throughout the country—many of them earning far less than the miners—do not see why the public should shoulder all the responsibilities. They do not understand the action of a union which calls its members out on strike without a ballot and in damaging month after damaging month makes no contribution to their support. The public reject the case that the union has no responsibility, but that is basically the case that has been put by the hon. Member for Oldham, West from the Opposition Front Bench.

Mr. Kevin Barron (Rother Valley): Will the right hon. Gentleman withdraw that statement? The money that is deemed to be paid is taken from money that is paid to the wives and children of strikers. The state is not being asked to support the strikers. That has never been the position and it was not the position during the periods when I was on strike. I ask the right hon. Gentleman to withdraw his statement.

Mr. Fowler: There is no question of withdrawing my statement. I have stated accurately the precise position. The hon. Gentleman is wrong about deemed strike pay. If he reads the 1980 legislation he will learn that the deduction—it was originally £12 and there is now the uprating—is made from the supplementary benefit which is paid. There is nothing to withdraw. I have stated the position.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Is my right hon. Friend aware that the ravings that we hear are sickening to those of us who read that £20,000 or more changes hands via suitcases and is used to finance thugs on the picket line, when that money could be used to help families which are suffering deprivation? Is it more important to finance those who are breaking the law or those for whom this fictitious debate has been initiated?

Mr. Fowler: I think that many will agree with the argument that my hon. Friend has advanced. He is right to say that there is a responsibility upon the union in these circumstances. There are many trade unionists who reject the case that has been made by the hon. Member for Oldham, West.

Let us go back to the time when the Bill which introduced the deduction was passing through Committee. The former Member for Wood Green, Mr. Reg Race, was a member of the Committee. If we agree on little else, I think it will be common ground that Mr. Race is not one of those members of the Labour party who is likely to slip away in the night to join the Social Democratic party. During the debates in Committee Mr. Race was asked by my hon. Friend the Member for Lincoln (Mr. Carlisle) whether he thought that the unions had no responsibility to their members during any strike. Mr. Race replied:

"Of course, I do . . . I shall tell the hon. Gentleman my experience of strike pay. My union—the National Union of Public Employees—pays £5 a week in strike pay. That is in the rule book. Everyone on official strike gets £5 a week from the union."—[Official Report, Standing Committee B, 12 May 1980; c. 1007-1008.]

Labour Members talk about their compassion and concern for the families of striking miners, but their remarks should have been addressed first to the NUM many months ago. Instead of trying to play conjuring tricks with foreign bank accounts, the union could have been using its funds to help its members and their families.

Mr. Joseph Ashton (Bassetlaw): Will the Secretary of State give some advice to the wives who are suffering? Is he aware that they do not have a vote within the National Union of Mineworkers? What advice will he give to a wife who begs her husband to go back to work and he refuses to take that advice? Why should she still suffer a loss of £16?

Mr. Fowler: The operation of the deduction has been clear from the beginning of the dispute. There has been no change in the rules and regulations governing it. Every member of the NUM knew what his position would be when he went into the dispute.

I deal now with the original issue which led to the debate, which is the uprating of the "specified sum" defined in the Social Security (No. 2) Act 1980. The "specified sum" is the amount that is deducted from supplementary benefit that is payable to strikers' dependants. The deduction was introduced in 1980 to fulfil a commitment in the manifesto on which the Government were elected in 1979. It was introduced to establish a fairer balance between the responsibilities of the state and the individual in caring for his dependants. We took the view that the responsibility should not simply pass to the state. The practice is set out in precise detail in the 1980 Act. The original "specified sum" of £12 was defined on the face of the Act, and the procedure by which that sum should be uprated is set out in explicit terms.

The Act requires that the "specified sum" should be uprated whenever there is a general uprating of social security benefits. It requires also that the "specified sum" should be uprated by the percentage that is used to uprate national insurance pensions and the resulting amount rounded to the nearest 50p. This year the relevant percentage is 5.1 per cent., and that produces a final figure of £16.

Mr. Eric S. Heffer (Liverpool, Walton): Is the Secretary of State aware that the relevant word is

"strikers"? A group of workers who are not members of a trade union may feel strongly about an issue and go on strike. Other workers may be members of a trade union and notwithstanding an official recommendation not to go on strike may still decide to do so. Is it not clear that the Government's policy is to attack all strikers' families, whether they are official strikers, unofficial strikers, or even non-trade unionists? Does the right hon. Gentleman agree that that is precisely what the law says? Does he accept that the Government are against ordinary working people who go on strike because they cannot agree to accept what rotten employers are doing to them?

Mr. Fowler: With the exception of the last part of the hon. Gentleman's remarks, his intervention is based on total truth. The uprating concerns supplementary benefit and a deduction from supplementary benefit. I am glad that the hon. Gentleman acknowledges that. That is precisely what I have been trying to put to the House.

Several Hon. Members rose—

Mr. Fowler: No, I shall not give way again. The Government can vary the formula only by introducing orders which are subject to affirmative resolution by both Houses. I see no reason of principle or practice why this course should have been taken in this year. In 1982 there was an industrial dispute in the Health Service, which, like the miners' strike, lasted for many months. On that occasion the deduction was increased by £1.50 to £14.50 and there was no challenge to that policy from Labour Members. I cannot see what there is in the NUM's dispute which would lead to the Government's taking the quite exceptional step of changing the law to prevent the increase taking place.

Mr. Alan Williams (Swansea, West): In that case, I am slightly puzzled by the words in the Act. The Government put that power into the Act in order to vary the amount that they deduct. When did they write that in? Why will they not use that power now? If they will not use that power now, in what circumstances does the Secretary of State envisage using that power?

Mr. Fowler: Of course the Government have given themselves discretion in circumstances of this kind. I see absolutely no reason at this moment to change that position. Frankly, it is ridiculous to ask me to forecast the circumstances in which that would be done.

The procedure followed this year, as in previous years, is laid down in the statute. However much the hon. Member for Oldham, West seeks to deny it, the procedure takes place automatically, unless the law is changed. It takes place also whether or not I announce the change. All those points are well known to the hon. Gentleman.

Mr. Jeff Rooker (Birmingham, Perry Bar) *rose—*

Mr. Fowler: I shall not give way. Under the Act I am required to sign a declaratory order, which records what the "specified sum" defined by the Act is. The order is not a regulation and is not laid before the House. By convention a copy is placed in the Library of the House, and that was done last Wednesday. I make it clear to the right hon. Member for Chesterfield (Mr. Benn) that this order is not an Order in Council. It has nothing to do with the Privy Council and does not depend upon, and is not in any way an abuse of, the royal prerogative.

Then there comes the final and perhaps the strongest charge from the hon. Member for Oldham, West: that, in

the words of the Opposition motion, the Government have sought to "stifle debate" on this issue. It almost beggars belief that, following the scenes on Wednesday night, the Opposition can solemnly table a motion accusing the Government of stifling debate. The fact is that, far from stifling debate, we gave, as the hon. Member for Oldham, West has conceded, more publicity to the announcement this year than on any previous occasion.

Mr. Heffer: Not the Government; we did.

Mr. Fowler: If the hon. Gentleman really believes—I put it in the classic phrase of the hon. Member for Oldham, West—that only a spontaneous demonstration can draw the public's attention to this matter, it says little for the hon. Member for Oldham, West, who is the Opposition spokesman on social security, and his powers.

We informed the House by answering a question asked by the principal Opposition spokesman on social services affairs, the hon. Member for Oldham West, and accompanied that answer with a notice to the press, which is the only time that has been done. That strikes me as a peculiar hole in a peculiar corner if one is seeking to smuggle out an announcement.

Surely the real question on stifling debate is for the Opposition Front Bench to answer. The House clearly recalls that on Wednesday night the Opposition asked specifically for a statement on this subject. I came to the House to make that statement, but I was prevented from giving any but a few words of it and the statement was torn in two.

Mr. Nellist: Does the Secretary of State agree that it was not my tearing up of one page of his statement but his actions during the past five days that will result in tearing up the lives of pensioners, the unemployed, single parents and especially the families of striking miners? The actions of his Government are much more vindictive and violent than the action which resulted in the right hon. Gentleman losing a bit of paper on Wednesday night.

Mr. Fowler: I shall leave the public to judge the case that I am putting and the case that the hon. Gentleman is putting.

Mr. Robin Cook (Livingston) *rose—*

Mr. Fowler: I shall not give way. I do not believe that there can have been a clearer or more blatant example of stifling debate than what we saw on Wednesday night, yet on this central issue the hon. Member for Oldham, West preferred to maintain a modest silence during his speech. Perhaps he did not notice his hon. Friends standing before the Table. Perhaps he did not notice the statement being torn up. Perhaps he simply preferred not to notice and that that is what now passes for leadership on the Opposition Front Bench.

The statement has now been made. I shall leave the public to judge, and I am content to rest on the facts that I have set out. The supine indifference of the Opposition Front Bench to the tactics of Wednesday night exactly mirrors their disregard for the violence perpetrated outside the House. It demonstrates why the Labour party will never form the Government.

4.15 pm

Mr. Jack Ashley (Stoke-on-Trent, South): If the Government supporters believe the farrago of nonsense that we have just heard, they would believe anything. The

Secretary of State has shown conclusively that he fails to understand some of the basic issues in this debate. I was amazed that the Secretary of State quoted what Reg Race said in Committee. I was amazed also that the right hon. Gentleman claimed that the Government are doing so much for strikers' families.

The Secretary of State said that he was content to allow the facts to speak for themselves. He omitted to mention one fact—that this debate and the cheating of miners' families is taking up time at exactly the time when the Government are giving millions of pounds to the people involved with floating British Telecom. The Government are giving no less than £67 million to encourage people to buy British Telecom shares. The income of directors is soaring. The Government are giving £4 million to stockbrokers. It is ludicrous to take these few pounds from miners' families when the Government are giving those sums.

When the Secretary of State says that the families are getting more he is insulting the intelligence of the House of Commons. We know that they are getting more in cash, but their real incomes are falling. That is why the Secretary of State is misleading the House. It is real incomes that matter and are relevant, and it is real incomes that are suffering. The Government are guilty of mauling the income of miners' families during this important strike.

The Government are dividing the nation with this measure. They are indulging in strike breaking. The Government had the foresight in 1980 to bring forward the Social Security (No. 2) Bill, and now they are smashing a union and bringing up the heavy artillery. The Government, in a most cowardly fashion, are trying to smash the NUM. They are not hitting the union or the miners, they are hitting the wives and children. Could anything be more cowardly than that?

The Secretary of State has put forward a number of absurd excuses. Previously, he has said that strikes are the first resort. The fact that the miners refused to strike on two occasions shows that that is not so.

The Secretary of State was saying that at the heart of the debate was the fact that trade unionists should accept responsibility for their strikes. That showed that he does not understand the position. When he quoted Reg Race saying that NUPE paid £5 to its members, the Secretary of State doubly misunderstood. When Reg Race spoke in Committee, he was speaking only of NUPE paying £5. When an industrial union such as the NUM calls a strike, nearly everyone goes on strike. If the NUM were to pay strike pay it would be quickly bankrupt. The Secretary of State shakes his head, but he knows that that is right.

The Government's aim is to bankrupt the NUM. The Secretary of State will not say that because he speaks in coded language. He says that he is prepared to accept trade unionism, but instead of using coded language the Government should have the courage of their conviction and clearly explain that they are trying to smash the trade unions. This attempt to smash the NUM exposes the hollowness of the Government's stance. When they say that they support the right of people to withdraw their labour, they mean that they support that right provided that the strike is short and ineffective, and provided that the strikers lose. When there is a tough, difficult strike, such as the miners strike, the Government are prepared to play dirty.

In totalitarian countries, the Governments say that they are prepared to support the right of free speech provided

[Mr. Jack Ashley]

that people do not speak too freely. This Government are prepared to support trade unionism provided that the trade unions stay on their knees and are prepared to fight a battle and damage the economy.

I believe that two consequences will follow from this measure. The first is that by hitting miners' wives and children the Secretary of State will strengthen rather than weaken miners' resolve. Miners will not be blackmailed. Last week, Lord Stockton said that they were the men who defeated the Kaiser and Hitler. He was right. The miners are brave men and brave men cannot be blackmailed. Blackmail will fail. It will be counterproductive. The Secretary of State is making the dispute even worse.

The whole of the trade union movement is becoming deeply embittered by the Secretary of State's cowardly action, and that corrosive bitterness will gradually seep into industrial relations, and when it does British industry and industrial relations will be damaged. The whole of Great Britain will be damaged by this mean and cowardly measure.

I believe that Ministers will rue the day that they decided to give millions to stockbrokers through British Telecom and snatch pennies from miners' wives and children. This measure is disgraceful, divisive and destructive.

4.24 pm

Mrs. Jill Knight (Birmingham, Edgbaston): There is an air of unreality and faked outrage about the debate. Listeners with no knowledge of the background—[*Interruption.*] Hon. Members can shout themselves hoarse, but I am going to be heard. Listeners to the debate might well go away believing that the Government had introduced a completely new and unexpected measure and one which would universally cut the amounts of money payable to striking miners for their children. All that is utter poppycock. There is nothing new about what has happened. Every year since 1980, as regular as clockwork, the "specified sum"—to use the jargon of the Social Security (No. 2) Act 1980—[*Interruption.*] I can shout louder than Opposition Members, I promise them that.

To put the matter into words which even the Opposition can understand, when benefits are uprated, which happens every year so that the poorest and most needy among us can be helped to meet the extra costs of inflation and improve their position, the "specified sum" is increased also.

It seems fair that if the unions call their members out on strike that they must pay for the privilege.

Mr. Nellist *rose*—

Mr. Stan Crowther (Rotherham) *rose*—

Mrs. Knight: I shall give way to the hon. Member for Rotherham (Mr. Crowther).

Mr. Crowther: As the High Court, rightly or wrongly, has decided that the miners' strike is unofficial, it would clearly be unlawful for the union to pay strike pay. It would clearly be in contempt of court. Is the hon. Member asking the NUM to break the law by paying strike pay to its members when the strike has been said to be unofficial?

Mrs. Knight: It is remarkable that the hon. Gentleman can speak so clearly with his tongue so firmly in his cheek. As the NUM has been breaking the law since day one of the strike, we can dismiss that point.

It seems fair to me that every year when benefits are uprated the "specified sum" should be increased. It cannot be fair that taxpayers should pay more when men are called out on strike by their union. Every year, as benefits go up in line with inflation, the sum deemed to be contributed by the unions goes up also.

To regard this measure, as apparently some hon. Members do, as something entirely new shows that Opposition Members have never considered what happened formerly. That justifies the suspicion that they do not keep abreast of legislation, have forgotten it, or do not bother to check their facts before coming to the House.

As for being a completely unexpected move, I suggest that Opposition Members study what has happened each year since 1980. In 1980 the disregard was £12; in 1981 it was £13; and in 1982 it was £14.50. It is funny, but we do not remember any violent demonstrations, tearing up of statements or seizing of the Mace when the disregard went up by £1.50. [*Interruption.*] Opposition Members are on thin ground. They say that this measure is an exception, but there is nothing new about it. The House was not even sitting when the disregard was increased by £1.50. We could not have had a debate on it in any case.

I shall return to the record, but it is not surprising that hon. Members do not like to listen to these figures. In 1983 the figure was £15, and in 1984 it was £16. There is no surprise there and nothing unexpected to anyone who has looked at the record. What has happened this year is exactly in accordance with the formula set out in the legislation, but apparently Opposition Members have not understood it.

Mr. Rooker: I do not think that what the hon. Lady has just said is true. Can she tell us why the specified sum is based on an increase of 5.1 per cent., which is the increase in long-term benefit, whereas the benefit concerned is supplementary benefit, which today is going up by only 4.7 per cent.? The difference between 4.7 and 5.1 per cent. may not seem a large amount. Why have the Government chosen 5.1 per cent., which basically is the national insurance increase, instead of 4.7 per cent.? If they had taken the latter figure it would not, even with rounding up, have come to £16.

Mrs. Knight: I am afraid that the hon. Member is wrong. It has always been exactly the same.

Mr. Rooker: No.

Mrs. Knight: There is no change whatever here.

Mr. Rooker: Yes, there is.

Mrs. Knight: I am bound to say, in as polite a way as I can, that I resent the hon. Member suggesting that the figures are incorrect. He can check them in the Library or anywhere else. He will find that they are accurate and that what is happening now is precisely in accordance with the formula in the legislation.

The next possible reason for the simulated red rage might have been that miners' benefits are being cut. I listened to the speech of the Opposition spokesman, the hon. Member for Oldham, West (Mr. Meacher). He amazed me with his inability to notice that 85 per cent. of miners are getting more. He concentrated only on the 100

or 200 who are getting less. I did not hear one syllable from the hon. Member about the overwhelming majority of miners who are receiving an increase as a result of the Government's action. For almost all the rest of the miners there is no change. Only a tiny minority—between 100 and 200—are getting less.

If the Opposition's rage is well founded, why do hon. Members not divert to that tiny minority some of the money that is being collected in tin boxes for the NUM? Those collections are being made, much to the rage of many decent citizens throughout the country. [HON. MEMBERS: "Shame."] Hon. Members may say that it is a shame—

Mr. Mark Hughes (City of Durham): When the hon. Lady says that it is wrong for citizens to give money to impoverished women and children, she should be ashamed of herself.

Mrs. Knight: May I inform the hon. Gentleman that I have had complaints from various charities, which are allowed to collect on only one day in the year, because their collections have been severely reduced. In areas where there are Left-wing councils, the miners' representatives are allowed to collect every week. If Labour Members are really concerned about the needs of 100 or 200 people who will be receiving 55p a week less as a result of the order, they have plenty of money available from the collections to divert to people in need.

The Opposition have found an extraordinary reason for seeking to destroy parliamentary democracy. NUM money is being used to pay people to beat up miners and to threaten working miners and their families. The union is paying people to man the picket lines and to attack people's homes. They are being paid to hurl missiles at the police. If the NUM can pay people to do all those things, why can it not pay something to the 100 or 200 people who will receive 55p a week less?

The right hon. Member for Stoke-on-Trent, South (Mr. Ashley) said that the Government are trying to smash the unions. The NUM is effectively smashing itself. Nothing could be more effective in smashing the union than the actions of Arthur Scargill. Indeed, I think that he is now becoming well aware of it. I am very sorry for the ordinary, decent miners who are being terrorised into a strike which they do not want. They have had no ballot on the issue.

The Opposition motion speaks of "stifling debate". I do not think that to quote an hon. Member's words from the *Official Report* can be said to be an attack on that hon. Member. Indeed, if I had regarded it as an attack on him I would have written to him prior to the debate. But the demonstration last Wednesday was led by the hon. Member for Liverpool, Walton (Mr. Heffer). When my right hon. Friend the Member for Henley (Mr. Heseltine) took it into his head to wave the Mace about, he apologised the next day, at the first possible opportunity. On that very occasion the hon. Member for Walton, who led the riot last Wednesday, said:

"It does no good to parliamentary democracy or to the future of parliamentary institutions in this country if scenes such as those which occurred last night are repeated in the future." Who is repeating those scenes now?

Mr. Heffer: Nobody was waving the Mace about.

Mrs. Knight: The hon. Gentleman continued:

"I trust that a firm decision will be taken to ensure that in future we do not have scenes of that kind as a result of the behaviour of right hon. and hon. Members on either side of the House."—[*Official Report*, 28 May 1976; Vol. 912, c. 770.] The hon. Gentleman says one thing when his party is in power and another thing when it is not. If any party is stifling debate, it is not the party to which I have the honour to belong.

4.36 pm

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I shall try to be as dispassionate as possible. I understand the feelings of right hon. and hon. Members who represent mining constituencies, but I should like to be as objective as I can and to put the alliance point of view. We have an amendment on the Order Paper and I shall refer to it during my brief speech.

The Government have right on their side when they say that the legislation has not changed since 1980. I do not think that anyone would argue about that. But I put it to the Secretary of State that the circumstances have changed in several respects.

The mining communities have been denied the right of a national ballot. I regret that, and it may put me in a different position from that of other Opposition Members. There have been scenes of violence, which again I regret. That may distance me from other Opposition Members. On the other hand, the Government imposed on the mining industry Mr. MacGregor, fresh from the steel industry where 88,000 jobs were lost. The Government gave signals to the trade union movement that they were antagonistic to the whole ethic of trade unionism. The Government also deliberately asserted, as part of their policy, that there should be high unemployment. Those actions by the Government have brought about a highly charged situation. It is against that background that we have to consider the Secretary of State's written answer.

I do not think that the provisions in section 6(2) of the Social Security (No. 2) Act 1980 are right, and the Government should look at them again. Since then the Government have introduced legislation that will lead to more sequestrations of trade union funds. The hon. Member for Oldham, West (Mr. Meacher) referred to that aspect. The Government are blind if they do not understand that the situation has changed dramatically since 1980.

Mr. Rooker: I suggest to the hon. Gentleman that there is another reason why the Government should allow debate. No one has reminded the House that the Government stifled debate on clause 6 of the Social Security (No. 2) Bill in 1980. They guillotined the Bill half way through clause 1.

Mr. Kirkwood: I am grateful for that intervention, and the House is better informed for it. I was not a Member of the House at the time, but I know that the hon. Gentleman has a distinguished record in the House. That is an important point, which has not yet been made.

The Secretary of State is right that, if there had been a national ballot, today we would not have been discussing the whole issue of deemed strike pay and clawback. Large bodies of miners are on strike, but they desperately want to go back to work. They are looking to the Government for succour and support. The way that the Government introduced the order through a written answer on Wednesday was wrong.

[Mr. Kirkwood]

If the Secretary of State plays it by the book, he is right to say that a regulation under section 6(3) would need to be introduced. However, Governments with the majority enjoyed by this Government have discretion at just about any stage in the game. The right hon. Gentleman should have recognised that we are in a unique position. This is a unique dispute and we are at a unique time within it. It was wrong for the Secretary of State to come along with the order on Thursday, three or four days before the upratings were due. Whether it was calculated or not, he appeared to be maliciously and gratuitously disregarding the feelings of miners' families. Thus, he deserves the criticism that he is getting today. There is all the difference in the world between the three other annual upratings in September and this uprating, when the announcement was made only four days before the uprating was due.

The Secretary of State could have been doing two things. First, he could have been hiding. He could have been frit to come to the House, so he waited until the last moment. I do not believe that. I have given him the benefit of the doubt. The alternative is that he was considering not doing it. The House deserves an answer as to why this year, compared with the three previous years, there was a two months' difference, which is a significant difference. I hope that the Minister will address his mind to that and give us an answer when he winds up.

I was considerably heartened by the way in which the Minister of State handled the earlier incident of the withdrawal of some benefits to miners who had difficulty getting death grants. He skilfully managed to defuse that difficult and emotional situation just after he had assumed office. I took great heart from that. However, why was such an approach not extended to the order?

With regard to costs, as far as I can make out, only about 36,000 families are involved. Even if they all get £1, that is a very small sum of money in regard to the costs of the strike as a whole. I should like to question the formula in section 6(2) of the 1980 Act. The Minister will know, because he has done the sums, that 5.1 per cent. triggers the extra 50 per cent. and takes the figure up to £1. If the figure had been 4.99 per cent., the increase would have been 50p. There is a substantial difference because of the change. It means that there is now a cut of about 6.7 per cent. in miners' benefits. We can all argue about whether it is more money in real terms, but the figure of 6.7 per cent., which the change from £15 to £16 involves, is unfair and arbitrary. We have said in our reasoned amendment that we think that an element of compromise should have been involved.

Mr. Newton: I should like to make the position absolutely clear. It is in no sense an arbitrary figure. This is also in answer to the hon. Member for Birmingham, Perry Barr (Mr. Rooker). It is defined as the general uprating percentage—the percentage that operates for retirement pensions. That is what is written into the law, and that is why the figure was 5.1 per cent.

Mr. Kirkwood: I accept what the Minister says, but I am arguing that he had the discretion and should have been big enough and dispassionate enough to look at the matter and give us a compromise that at least would have let the Government come to the House and say, "We understand that there are problems. The law has been in effect since 1980, but we are prepared to make

concessions." The effect is that the Government are playing straight into the hands of the hard-line members of the NUM executive.

Mr. Michael Howard (Folkestone and Hythe): Will the hon. Gentleman enlighten the House as to the precise meaning of the phrase "Standard Sum Deduction" in the alliance amendment?

Mr. Kirkwood: I do not want to go into the detail of that. [HON. MEMBERS: "Oh!"] The purpose of the amendment is clear. We are trying to get a compromise. I am happy to face the fact that it is a compromise. The mechanics of working out the compromise are less important than the principle involved.

The effect of everything that the Government have done is simply to play into the hands of the hard-line members of the NUM executive, and is against the interests of miners on strike who find it impossible to put behind them the traditions in the mining communities, which have been going on for years, and cross the picket lines. They find it almost impossible to be seen to support a Government with whom they have no connection or sympathies. They also find it difficult because of the equivocal position taken by the official Opposition in the dispute. More than anything else, it is impossible for them to face the Government's actions when they take such decisions in the way that they have.

The change is unnecessary, unfair, ill-timed and naive. I hope that the Government will consider changing their mind.

4.46 pm

Mr. Michael Howard (Folkestone and Hythe): When this matter first came to the attention of the House on Wednesday last week, the declaratory order that gave rise to this debate was described by the hon. Member for Oldham, West (Mr. Meacher) and the right hon. Member for Chesterfield (Mr. Benn) as almost without precedent. Of course, they got that completely wrong, as we now know, although the hon. Member for Oldham, West has yet to withdraw what he said last Wednesday. There is nothing especially unusual about the fact that they got it completely wrong, nor, normally, would it be of any significance, but it is significant in this instance. It is significant for this reason. As my hon. Friend the Member for Birmingham, Edgbaston (Mrs. Knight) said, precisely similar orders to the order that is presently being discussed were made in each year since the 1980 Act was put on the statute book.

The hon. Member for Oldham, West pays close attention to these matters. If there had been anything objectionable about the uprating process, the hon. Gentleman would have been very familiar with the sort of order that is under discussion. He would have known precisely the form that it takes. Had there been any question of it being objectionable, he and his colleagues would have raised objections to it. Perhaps the most telling sign that the indignation on Opposition Benches is bogus and synthetic is the fact that in none of those previous years did the uprating process evoke the slightest protest from the Opposition.

It is suggested that the position is somehow different this year because we are in the middle of a strike. Is it suggested by Opposition Members that whenever a strike is in progress at the time when the uprating takes effect,

the uprating should be suspended? That is demonstrably absurd. The purpose of section 6 of the 1980 Act is to make deduction from the supplementary benefit that would otherwise be payable to strikers' dependants. The whole purpose is that the burden of supporting those dependants should be shared between the trade union concerned and the taxpayer. It is ridiculous to suggest that whenever a strike is in progress, the uprating should be cancelled in some way.

Is it suggested by Opposition Members that the cancellation or suspension should not take place during every strike, but should take place this year because there is something about this strike that is particularly meritorious? If that is their view, it behoves them to tell us wherein they see the special merit of the strike. Is it especially meritorious because it is taking place without a ballot, in breach of the union rule book? Is it especially meritorious because, wherever a ballot has taken place, those balloted have voted in favour of continuing to work? Does its special merit lie in the fact that violence has attended it from the outset? Or do they simply think it meritorious because of their special affection for Mr. Scargill and Mr. McGahey, who have led it? It would be interesting to know the views of the Leader of the Opposition on that question.

We must not lose sight of the realities of the matter. We are discussing the extent to which the taxpayer should contribute to the support of the dependants of those on strike. We are discussing the amount which people—and many of my constituents earn a good deal less than the wage available to every coal miner—should contribute to the dependants of the strikers. We are discussing the extent to which those miners who are currently working should contribute to the dependants of those who hurl abuse at them on the picket line and threaten them with violence. Perhaps we are even discussing the extent to which Mr. Michael Fletcher should contribute to the dependants of those who attacked him or Mr. Stuart Spencer to the dependants of those who burnt his house. That is what we are really discussing today, and the House should keep such matters in the forefront of its mind.

Thus far, I have addressed my remarks to the Official Opposition. I shall now consider the views of the alliance, whose spokesman is unable to explain the very term in the alliance amendment. Last Thursday the House was treated to a characteristic exhibition on the part of the right hon. Member for Plymouth, Devonport (Dr. Owen). I am sorry that the right hon. Gentleman is not here. I informed him that I intended to make some observations about his remarks. The House has become accustomed to the fact that the right hon. Gentleman characteristically makes feverish attempts to strike out a position which is different from that of the Government and that of the official Opposition. The House has seen his kind before. George Canning once said of Lord Brougham:

"The hon. and learned Gentleman having in the course of his parliamentary life supported or proposed almost every species of innovation which could be practised on the constitution it was not very easy for ministers to do anything without seeming to borrow from him. Breakaway in what direction they would, whether to the right or to the left, it was all alike. 'Oh', said the hon. gentleman, 'I was there before you; you would not have thought of that if I had not given you a hint' . . . There was no noise astir for the good of mankind, in any part of the world, but he instantly claimed it for his thunder."

Lord Brougham was described elsewhere as "Mr. Facing-two-ways". We were given a demonstration of

such behaviour on Thursday which was more vivid than we have seen for some while, when the right hon. Gentleman asked a question during Prime Minister's Question Time.

We know that the alliance Members are anxious to attack the Government and to distance themselves from the Opposition. They therefore do not say that the Government should continue with the automatic process of uprating, or on the other hand that the regulation should be used so that there would be no uprating. They recommend halving the difference. That is the characteristic alliance approach to such matters. They suggest that the figure should be not £1, but 50p. That suggestion illustrates particularly aptly the absurdities into which the alliance is led by the desire to strike a posture for the sake of striking a posture which is different from the attitude of the Government and that of the official Opposition.

Mr. Charles Kennedy (Ross, Cromarty and Skye): This afternoon the Secretary of State said that he could see no argument in terms of either principle or practice for behaving in any other way. Does the hon. Gentleman agree that as such a bitter and damaging dispute is going on, there is at least an argument in terms of political pragmatism for taking action which will not drive people into the hands of the extremists within the NUM? Will not this action only add to the suspicion that that is what will happen?

Mr. Howard: The hon. Gentleman believes that his 50p will achieve that objective. I suggest that the way in which that objective should be achieved is by the holding of a ballot by the NUM. The members of the NUM could then express their views on their future, and those who are at present having to share the burden of supporting the dependants of strikers—even after the Government's measures—would no longer have to shoulder that burden because, after the ballot, everyone would return to work.

4.55 pm

Mr. Tony Benn (Chesterfield): The people to whom the order applies know what is going on. The Government may try to mislead the House or themselves, but everyone who is on strike in the coalfields knows what the Government are doing. They are taking money from the families of striking miners to force them back to work.

People in the coalfields also know that the Government tried to do it without telling the House. [Interruption.] A written answer was put out in a press release last week, and everyone knows that if a number of hon. Members, including myself, had not stood before the Table there would have been no debate today. Everyone knows that perfectly well, because the Secretary of State said that he had no option, whereas section 6(3) of the 1980 Act, as my hon. Friend the Member for Oldham, West (Mr. Meacher) has mentioned, gives him the option of preparing and presenting regulations which would allow a variation.

No one who is on strike—and three-quarters of the miners in north Derbyshire are on strike—has any doubt that this is part of a long process of fraudulent attacks upon the striking miners.

Mr. Michael Hirst (Strathkelvin and Bearsden): Will the right hon. Gentleman give way?

Mr. Benn: No, I am developing my argument.

One immediate example of the fraud is that on 6 November Mr. Justice Vinelott gave an order in court that would make it illegal for north Derbyshire NUM to pay any strike pay. The judge says to the union, "If you pay strike pay, we will jail your leaders." The Minister then produces an order which is based on a pretence that the union is paying strike pay. There is only one word for that: it is a fraud, perpetrated by the Government in combination with the court.

Mr. Hirst: Will the hon. Gentleman give way?

Mr. Benn: No. The hon. Gentleman must listen to what is being said by the people on strike. The people on strike know very well that the argument about the closure of the pits on economic grounds is another fraud. Nuclear power has never received a penny of private investment. Nuclear power has never been profitable. No one has invested in it. Why? The answer is that it is subsidised to the hilt by the Government, to produce nuclear weapons. The argument about the pits being uneconomic is wholly false.

People in the coalfields know well that we get oil out of the North sea at \$7 or \$8 a barrel and sell it to the generating board at \$28 a barrel. Every unit of electricity generated by North sea oil is 40 per cent. more expensive than that generated by coal. The argument that pits are uneconomic is fraudulent, and people know it.

In the past few days they have also learnt that the Secretary of State for Energy, who made a speech about Mr. Harold Macmillan's compassion, is also a fraud, because while he was drafting and preparing that speech he was party to an order which would take another £1 off striking miners' families. There is no doubt that they expected that because, from the beginning, the Government's case against the NUM has been fraudulent. There have been fraudulent arguments about the economics of the pits; there has been fraudulent presentation of the argument about Cortonwood, when the Government broke their word; there have been fraudulent promises about there being no compulsory redundancies, which even Mr. MacGregor has to renege on because that might bring him into trouble with NACODS all over again; there have been fraudulent bribes to go back when the money with which the Government are bribing miners to return to work before Christmas belongs to the striking miners—it is holiday pay which was earned last year and which has been withheld by the NCB.

There has also been intimidation of the miners by the police, under the instructions of the Home Secretary. [HON. MEMBERS: "Oh!"] Conservative Members who are laughing should go and see what is happening on the picket line. Labour Members who go out, as I do, on the picket lines every week see hundreds of police who are snatching people without any grounds for doing so. They are arresting women. I know of one woman who was arrested because she was alleged to have shouted something. She was released the next day, but when she was arrested the police left her three-month-old baby in a pram in a park. They did not notice that the baby had been left, despite her protestations. [Interruption.] I am not trying to persuade anyone. The Government's weakness and our great strength is that, even now, the Government have not the slightest idea what they have taken on. They have taken

on a large number of very decent people who will not agree to see their fellow miners being destroyed by the MacGregor policy—as happened in the case of steel.

We also have the fraud of the magistrates' bail conditions under which people are having their civil liberties taken away without any trial, by the use of bail conditions which have allegedly been approved by a judge. The result is that, I think, 6,000 pending trials have been deferred, and deferred for month after month.

Mr. Hirst rose—

Mr. Benn: I shall not give way. I shall leave my comments about the disgraceful way in which Parliament has avoided discussing the miners' strike to the end of my speech. There has been fraudulent use of bail conditions by magistrates, and then the Home Secretary said that striking miners might face life sentences for picketing offences. Everyone in the north Derbyshire coalfield knows—

Mr. Tony Marlow (Northampton, North) rose—

Mr. Benn: I shall not give way. The hon. Gentleman can try to catch the Chair's eye later.

Mr. Marlow: Disgraceful.

Mr. Benn: Everybody knows that judges are appointed by the Lord Chancellor who is a Cabinet colleague of the Home Secretary, and that when the Home Secretary makes a statement about his expecting life sentences for picketing offences that is as clear, as has ever happened in my life, as an instruction from the Executive to the judiciary.

We also have the fraudulent figures that are published. We had another set today from the Secretary of State for Energy. I shall go over what I was able to mention only briefly in my supplementary question. In June the Prime Minister said that 50,000 miners were working. On 3 July she said that 60,000 were working, and on 25 October she said that 70,000 were working. Even the NCB claims that only 62,000 members of the NUM are working. We are witnessing a fraudulent presentation of figures by Ministers, which are taken up by the BBC and ITN—the strike-breakers' bulletin—trying to get miners to go back to work.

Throughout the whole of the dispute there have been only two debates on the miners' strike until today, which is only a half-day debate. One, in June, was on policing, and the other was at the end of July. I have tried several times to get an emergency debate. Mr. Speaker is bound by the Standing Orders and has never been able to find that the miners' strike merited interference with the normal course of business.

I am not here to criticise Mr. Speaker's judgment. I am here to criticise Parliament for failing to give due regard to the terrible hardship and anxiety of those who have devoted their lives to the mining industry, upon whom the future of that industry depends, and against whom the Government have launched a "civil war". Mr. Brian Walden, a former hon. Member, said so in *The Standard* last Tuesday. What we are witnessing on the picket lines is a war by the Government against the miners, the NUM, the trade union movement, civil liberties and the elementary decencies of civilised life. Parliament has hardly found time to discuss it apart from at Question Time.

I want to be brief and should like to finish with a warning to Ministers. They do not know what they are up

against. They believe, like Ian Smith in Rhodesia, that it is just a Mr. Mugabe and a few troublemakers. They have no idea that miners support Mr. Arthur Scargill because, for five years Arthur Scargill has warned the miners that when the Government were ready they would try to close pits and destroy the NUM. Arthur Scargill is supported by the overwhelming majority of miners because he has proved to be right and what the Government have said from the beginning has been proved to be false, fraudulent and dishonest. That is why the Government will not succeed.

I do not know—how can one?—whether the violence that has been forced upon the miners by the circumstances, for so it has, will get worse. I am torn as to whether I should predict, as did one of my hon. Friends today, that this could become a Northern Ireland situation—if it has not already done so. However, responsibility rests entirely with the Cabinet, which appointed MacGregor and closed pits. Every single incident that has occurred in the coalfields since 6 March when the strike began is the responsibility of the Government.

I tell Conservative Members who came in on the great monetarist wave of enthusiasm that the Tory party has survived in the past by capitulating in time and by giving way to legitimate demands, perhaps later to regroup and try to recover the ground. We now have the first Prime Minister since a head of state known as Charles I who believes that there is some divine right in what he then did and she now does. I tell the House, to which I was elected 34 years ago on Friday, that unless Parliament gives justice to the British people there will be no peace in Britain. Even if the Prime Minister is right and with troops, the help of the BBC and fraudulent figures she can drive starving miners back to work—[HON. MEMBERS: "Starving?"]—some have been driven back under those pressures—the Government's problems are only just beginning.

A higher level of political understanding has come in during the past nine months than at any time during my life, and I was born in the year before the general strike. People now understand the true nature of the Tory party—they sell off British Telecom to make quick profits for their friends who financed their victory and take money off the wives of striking miners. People understand the role of the police, the DHSS, magistrates, courts and the media in trying to drive the miners back to where they were years ago—on their knees—before what in time may again be private owners, for the Government will sell off the high productivity pits if they can get away with it.

I warn the House—I do so because I believe that to be one of the functions of an elected Member—that unless justice is given this battle will continue, with increasing bitterness and horror. The responsibility rests with those who began it with the pit closure programme. Today's mean and vicious little order, which we would not have debated without the action taken by some hon. Members, is only one of many attacks on the living standards of the finest group of workers in Britain—those who labour underground to give the country access to coal, our one natural resource in plenty, and upon which our future will be founded. The Government should be ashamed of themselves. If not, they will be defeated by the action which they have themselves provoked.

5.10 pm

Mr. Conal Gregory (York): I overwhelmingly reject the Socialist Opposition's motion. Like Conservative

Members, I am sure that many thinking people in Britain today will reassert their faith in free and fair trade unions; that means one's freedom to join or not to join a trade union. All unions must be democratic, and that is patently and obviously not the case with the union now under discussion. Trade unions should lead their members democratically, and that means a secret and fair ballot, which has been denied to NUM members.

A trade union should primarily safeguard its members. Does the NUM look first and foremost after the welfare of its members? No; it is more interested in evading its legal and moral duties to its members and to the welfare of miners' families. It seeks aid from Moscow, whose satellite states deny free unions, and support from revolutionary Libya.

The NUM would rather purchase a number of prestige cars with personalised number plates than give welfare to its own members. Undoubtedly the care from the union to the mining community does not come from the NUM leadership. The extreme Left is keener on pursuing its political future than on a negotiated settlement. How can the NCB negotiate with an unrepresentative coterie which is constantly changing its ground on shifting sand?

Will the Opposition identify the financial source of violence—the violence that is seen so frequently on the picket line, the violence between miner and miner and the violence in the mining communities, all of which seeks to destroy the social fabric of mining societies?

On Saturday I met a number of families of striking Yorkshire miners, all of whom were sick and tired of this dispute. They want it to end. They are sure that the NUM leaders are motivated by political aims rather than by those of the industry. Those husbands and fathers are intimidated not to go back to work. One of the families to which I spoke lives in the house nearest to a pit. I was asked why the NUM does not give support to its members through their subscriptions, which all NUM members have made over the years. The truth is that miners' leaders seek to subvert democracy, to undermine the police and the rule of law and to use the taxes taken from ordinary men and women in defence of an undemocratic strike. However, Comrade Scargill prefers to call it a dispute. He cannot use the word "strike"; otherwise he would have to call a ballot according to the NUM rule book.

As well as seeking to intimidate its own members, the NUM also intimidates other workers. The railmen in south Wales, Ravenscraig and north Nottinghamshire have been placed under severe pressure not to work, thereby contributing towards a £180 million loss on the freight side of BR. This nationalised industry has been drawn into a political strike against the wishes of that industry and the union's members and against the welfare of their families.

The role of the state is today multifaceted. Part of its function is to ensure an adequate standard of living. That must go primarily to the unemployed. Those who are employed but seek to remove their labour in pursuit of a trade dispute must look to their own lobby, not to the general taxpayer.

This declaratory order will from today benefit 85 per cent. of families, including striking miners, through a supplementary benefit increase. Approximately 30,000 will gain, 6,000 will experience no change and a mere 100 to 200 will lose. Already, £23.3 million has been expended on supplementary benefit payments to striking miners' families. How do those who for years have contributed to taxes—those on old-age pensions—feel about that?

[Mr. Conal Gregory]

The right hon. Member for Chesterfield (Mr. Benn), who is more concerned talking than about hearing the true arguments, referred to fraud. This fraud is with the NUM leadership. The essence of the NUM case is that, by adhering to the terms of one set of documents—"Plan for Coal", written more than a decade ago in circumstances very different from those of today—the present number of jobs can be secured indefinitely for all miners working in the industry and their children. The right hon. Gentleman misrepresents the plan in a number of respects, not least when he insists that it was substantially revised in 1977 to make jobs even more secure. No such revision took place. The plan was, and is, no simple charter of miners' rights.

Welfare must come first. This Government have shown that priority. The NUM refuses to accept its responsibility to its own members. I support the Prime Minister's amendment, and I hope that it receives overwhelming support in the Lobby.

Mr. Howard: On a point of order, Mr. Deputy Speaker. During his speech the right hon. Member for Chesterfield (Mr. Benn) cast aspersions on the judges, who he said were appointed by the Lord Chancellor, a Cabinet colleague of the Home Secretary. In particular, he mentioned Mr. Justice Vinelott. First, as a matter of record, Mr. Justice Vinelott was appointed to the High Court bench in 1978 by Lord Elwyn-Jones, then a Cabinet colleague of the right hon. Member for Chesterfield. Secondly, is it not out of order for hon. Members to cast aspersions on the conduct of judges, and should not the right hon. Gentleman be asked to withdraw his observations?

Mr. Deputy Speaker Mr. Paul Dean: I listened carefully to what the right hon. Gentleman said. His language may well have been strong, but it was in order. 5.18 pm

Mr. Joseph Ashton (Bassetlaw): It seems that it is perfectly in order to cast aspersions on trade union leaders unless they are leaders of the union of the judges and those who specialise in the law.

The debate so far has not made clear that this is a Government attack on women and children who are not among the 123,000 people still on strike. That is important, because without the support of wives, and the women's support groups in particular, for 38 long weeks, this strike would have collapsed many weeks ago.

As any hon. Member for a mining constituency knows, tremendous support has been given by wives who have chipped in money, run soup kitchens and held raffles, jumble sales and fund raising events. There has been a tremendous community back up for the striking miners, without which the strike would not have succeeded.

Mrs. Jill Knight rose—

Mr. Ashton: I shall not give way. The hon. Lady has had her turn, and many hon. Members still wish to speak. Even if the miners' union had done what the Government said it should do and paid £15 a week strike pay, by now it would have had to pay about £18 million, and even the Government accept that it has only £7 million or £8 million in its coffers. It would have been impossible to pay strike pay, so how can it be deemed to be paying strike pay?

Many hon. Members have lived with the strike for the past 38 weeks—my telephone has been ringing from 8 am to about midnight seven days a week—and we know about the problems of hardship. The Government's attitude, through its civil servants in the DHSS, has been one of vicious vindictiveness, screwing down families by using every letter of the law to drive people back to work. When there is a dispute about a benefit claim, the answer from the local DHSS office is that the claimant should appeal, but appeals can take as long as 20 weeks to be heard. If the local office blatantly disregards the rules, and even if a Member of Parliament takes up the case, the answer is still to appeal.

Some of my constituents work in pits in Yorkshire, and some in Nottinghamshire. There have been great differences in adjudications in Yorkshire and in Nottinghamshire, although the cases are similar. In Nottinghamshire, apprentices have been classed as strikers, whereas the adjudicators in Yorkshire have said that apprentices were laid off through no fault of theirs and have granted them benefit. The same has happened with subcontractors whose pits have closed. The Yorkshire adjudicators said that they were not on strike, so they could receive unemployment benefit, but the Nottinghamshire adjudicators decided that they were on strike.

Mr. Michael Welsh (Doncaster, North): In Wales and the west the commissioner has ruled that subcontractors should receive benefits, yet other authorities will not accept the commissioner's ruling.

Mr. Ashton: My hon. Friend is right. There are hard-line adjudicators and soft-line adjudicators in different areas, and their decisions depend upon where the miners' families are unfortunate enough to live. In any dispute over claims, miners' families have been told to take their cases to the tribunal, but all the decisions have led to a toughening of the legislation. The Yorkshire adjudicator would not grant benefit to the subcontractors there, and eventually eight subcontractors at Maltby were forced back to work. There was picket line violence and riots because the Government forced them back to work.

A young couple came to see me recently. They have a 17-month-old baby who is brain damaged. The baby had to attend Great Ormond Street hospital in London for tests, but the DHSS refused to pay the fares of the mother and father to London. The couple were told that they should appeal but, because the Government have removed the discretion of local DHSS offices in such cases, appeals take many weeks.

In the case of a family in my constituency who have a new-born baby, the toilet broke in half and the stench was coming up through the floor. They did not have the money to buy disinfectant. They had to tie a polythene bag round the hole in the toilet, and the DHSS would not give them a penny to get it repaired. We arranged for the local council—a Labour council—to do the repairs, but the family will have to pay for them when the husband returns to work.

The removal of £16 has been applied not only to wives but to girlfriends. A young miner and his girlfriend aged 18 were living together and the young woman became pregnant at the beginning of the strike. She is six months pregnant and has not put on an ounce of weight. She has bought no baby clothes. They are living on £6 a week in a flat next to a main road, they have no furniture and the

electricity has been disconnected. She is not even married to a miner, but because of the hard-hearted attitude of the DHSS, she will lose £16 a week. It was only after I intervened that she was classed as sick and received £25 sick pay.

Those who claim family income supplement have been asked to produce the pay slips of their husbands for the previous five weeks. They cannot do so because the pit has been shut. There is no one at the pit to give them those pay slips, so their claims have been turned down. It is not the wife's fault that the pit is shut. She is not a member of the National Union of Mineworkers and does not have a vote in a ballot.

Mr. Forth: The hon. Gentleman cannot have it both ways. At the beginning of his speech he made great play with the support that wives have given to miners. He is now disclaiming that and trying to argue the opposite way. He will have to make up his mind.

Mr. Ashton: The Government's attitude is that the union should pay strike pay, but the decision on that rests, presumably, with the members of the union. The wives and kids are not members of the union, and they have no say in whether the union should pay strike pay. They are not allowed to go to the branch meetings and vote on it, yet the Government punish them. They have taken away £16 from wives who have no say in the running of the strike.

Two weeks ago, one of my constituents left hospital with a five-day-old baby. She went to the DHSS and asked for extra money to buy fuel. The DHSS refused her. The social services department of the county council—again a Labour-controlled—gave the family £12 to buy coal. The pit manager, who for many weeks had turned a blind eye to families picking up cobbles from the pit yard, said to the family, "You will get no coal until you go back to work." There has been tremendous hardship in my part of the country. Little kids have been digging coal out of embankments, not because they are part of the strike but because they want to get a few shillings for Christmas. There were riots in Grimethorpe, where 37 people were arrested for picking up worthless coal from the ground. It was worthless because the Coal Board decided that no one would buy such shale. For many years no one cared who took that coal from the tip, but as soon as the families of striking miners tried to take it, 37 of them were arrested.

The removal of the £16 is not an isolated occurrence. It is part of a systematic attempt by the Government to starve people back to work. There has also been much incompetence in the DHSS. It set up a strike centre in Chesterfield, but it has no proper facilities, computers or organisation. I have met people who received no benefit for as long as five or six weeks, and that includes families with as many as five children. They were desperate. The milkman would not leave them any milk, and there was no question but that the children were hungry. It was only when I kicked up a fuss that they found Mrs. Noy's file at the bottom of a pile. She received about £190 in benefit arrears.

In another case, I received a letter from the Minister asking what my constituent was complaining about because he had not even appealed. Of course, he had appealed. The officials at the Chesterfield strike centre found his letter at the bottom of the pile.

Another constituent, Mr. Kelsey, became fed up with the strike and quit Harworth colliery after six weeks. It was

a working pit, but he left and got a job as a plasterer in Peterborough. The plasterer's job fell through, so he returned home and claimed unemployment benefit. He claimed that his wife should not have £16 deducted because he had finished at the pit. He had received his holiday pay and his P45. The DHSS turned him down. They told him that he was on strike, so he said, "How come I'm on strike?" He was told that he could benefit from the strike because when it was over and the coal board gave back pay, he could receive some. It has never been known, in the history of mankind, for a boss to give backpay to someone who has left his employment. This hardline attitude of the adjudicators, who said that the man had never appealed, and then found his file at the bottom of the pile, is very bad. The man is still appealing, and he lost his job in June.

This dispute has been one long round of harassment, and of a systematic, vindictive attitude of "starve them back to work". I am not attacking the local DHSS offices in our areas, who have been very good.

Mr. Barron: It is the adjudicators.

Mr. Ashton: My hon. Friend is right. The adjudicators have been acting under instructions to be as tough as possible.

Mr. Newton: First, the hon. Gentleman must know that Ministers are not in a position to issue instructions to the adjudication officers. Secondly, before he and his hon. Friend the Member for Rother Valley (Mr. Barron) get carried away too much further, I point out that the position on disqualification from unemployment benefit arises from the Labour Government's Social Security Act 1975. [HON. MEMBERS: "Oh."]

Mr. Ashton: Tory Members had better not shout too soon. That Act deals with people who stand to benefit out of a strike, and its provisions have been used in the past, but in this case the decision of the adjudicators was that a man who had quit his job could benefit because there was a pay claim involved in the strike. They claimed that when the man went back to work and the coal board handed out the 5 per cent., or whatever, pay increase, he might then receive backpay. However, the coal board itself said that there was no way that it would pay backpay in his case. My constituent had received his cards, his holiday pay, his P45 and so on, but the adjudicators still ruled that he would benefit from the strike.

Attitudes such as this have ensured that 85 per cent. of those who came out on strike are still out on strike. Whatever the headlines in the papers, whatever Ministers say about 7,000 or 5,000 going back, in percentage terms, 85 per cent. of those who came out have not gone back. If anything has caused that, it is the hard-hearted attitude of those trying to force people back. The £16 change last week was a major error by the Government. People were beginning to go back to work, but their opinion was hardened by this change. They said that they would not have their noses rubbed in it and would not be forced out, and decided to stay out last week. The Government dropped a clanger with this £16, and I think that they are already regretting it.

Sir Kenneth Lewis (Stamford and Spalding): On a point of order, Mr. Deputy Speaker. Is it not extraordinary that we had a passionate demonstration late the other night, a passionate request for a statement and for this

[Sir Kenneth Lewis]

debate, passionate speeches from Labour Members about the subject, but after all that only 20 of them are here for the debate?

Mr. Deputy Speaker: Order. The hon. Gentleman has made his point, but it is not a point of order for me.

5.32 pm

Mr. Eric Forth (Mid-Worcestershire): I start by taking this opportunity to answer some of the points made by the right hon. Member for Chesterfield (Mr. Benn), who made a fraudulent speech, that is, one about fraud, as he said. He made several points upon which we could not question him because he felt unable to give way. First, he made the direct accusation that people who had been arrested were being held on bail for an unnaturally long time to keep them out of the action on the picket line. He and the House must know that the Government have provided more magistrates to expedite the hearing of cases of those arrested.

Another fraudulent point was the repeated accusation about the denial of freedom of speech. My hon. Friend the Member for Stamford and Spalding (Sir K. Lewis) has already made my point by saying that it was at the Opposition's request that my right hon. Friend the Secretary of State was prepared to come to the House late at night to make a statement. The opportunity to make that statement was denied, and that outrageous behaviour not only denied my right hon. Friend freedom of speech, but denied right hon. and hon. Labour Members the freedom to question him.

Labour Members scored their usual own goal when they did that, because the publicity has not been for the merits or demerits of this case, but for their outrageous behaviour.

Mr. Heffer: The hon. Gentleman is wrong.

Mr. Forth: The next piece of fraudulence perpetrated by the right hon. Member for Chesterfield was his ridiculous suggestion that the violence on the picket line is being caused by the police. I and my colleagues are still unsure why it is that when, in some places, there are several thousand pickets massing to persuade a handful of miners not to go to work, and thousands are armed, often with missiles and other implements, the police are expected not to intervene to protect the small minority of workers who want to go back to work.

Mrs. Ann Clwyd (Cynon Valley): I am interested in the hon. Gentleman's comments, particularly as a Labour councillor in my constituency, who was not even standing on the picket line, but was there as an observer of the pickets last Tuesday, was pulled off a wall by the police and dragged along the floor. His face was badly bruised, his nose was injured, and his wife, who went over to help him, was kicked in the stomach by the police. Will the hon. Gentleman condemn such behaviour equally? He is fond of condemning the pickets, but violence should be condemned wherever it arises.

Mr. Forth: Yes, I would unhesitatingly condemn any such incident as and when it occurred, but the hon. Lady must accept that that incident, if it happened, would not have occurred had there not been excessively large numbers of pickets which required a large police presence. This is the point which Conservative Members wish to

emphasise over and over again. Nobody has any objection to the presence of six pickets seeking peacefully to persuade their colleagues not to go to work. That has always been accepted by Conservative Members. We defend the rights of individuals to withhold and withdraw their labour, and the right of other individuals peacefully to persuade others. However, we will always condemn activities such as those which we have had to witness, which have given rise to incidents such as that which the hon. Lady has described.

Mr. John Powley (Norwich, South): Does my hon. Friend agree that there is a laid down procedure for anybody who wishes to instigate complaints against the police force? That is laid down in statute and any member of the public can take advantage of it, and can even get legal aid to do so. Should there not also be a complaints procedure against the NUM and its intimidation, so that complaints about its members can be investigated as well?

Mr. Forth: I am grateful to my hon. Friend, because he is right. Whereas the public have the right to make complaints about the police, and have those complaints dealt with, I am not certain where those who have complaints against the activities that we have seen on the picket line can go to complain. There is not an appeals procedure within the NUM for its members to complain about their colleagues' activities, and I am sure that Labour Members will wish to put that right.

There is a problem behind this most interesting debate. Every Conservative Member defends the right of individuals to withhold their labour within the properly constituted context, and we have never sought to deny that. It is an absolute freedom which has always been guaranteed within our constitution and by this Government. However, we cannot support the concept of requiring the taxpayer to fund striking activity.

Many people would question why it is that they as taxpayers are being required to give support and succour to people who have withdrawn their labour. Many would ask what the role of trade unions is in this context. Trade unions can hold a ballot and decide to withhold labour, and trade unions are free, as they always have been, to raise and accumulate funds for the benefit of their members. If these funds are not to be used to help the legitimate ends of the strike, for what will they be used?

During today's debate we have heard repeated allegations from the Opposition that in no way could it be expected that the vast resources of the NUM should be used to help the NUM's own members who are in difficulty. Those allegations sit ill with the examples that we see of the NUM trawling the world for money wherever it can be found and of secret movements of funds through Irish banks to American banks in an attempt to avoid the law. How does the NUM see fit to take its members' money away from this country, where it could help its members who are in difficulty?

Mr. Nellist: Does the hon. Gentleman support his Government who, in easing exchange controls three or four years ago, allow £32 million—four times the total assets of the NUM—to leave the country every day and to trawl the world looking for higher profits on the basis of the super-exploitation of workers in Asia and Africa? When the hon. Gentleman talks about money going round the world, why does he not also talk about the Prime Minister, her son, Oman and £300 million?

Mr. Forth: I am grateful to the hon. Gentleman, because I thought that he was amongst those who were constantly asking us to put our funds into under-developed countries. He cannot have it both ways. He cannot criticise Western capitalism for seeking to provide employment for people of the under-developed countries and then expect the contrary to apply. It is a perfect example of the doublethink and doublespeak that we have had to put up with throughout today's debate.

The hon. Member for Oldham, West (Mr. Meacher) said that the Government were being provocative. He sought to imply that somehow the Government were taking a provocative and deliberate action at a particularly sensitive time. One of my colleagues asked whether this implied that what in any event had happened every year for the past four or five years and therefore was fully to have been anticipated should not have taken place this year simply because the miners were on strike. If that is the implication, it is an extremely dangerous precedent.

Bearing in mind that we are dealing not just with benefits for miners on strike, but with benefits for anyone who may withhold his labour, it is a dangerous and seductive argument to suggest that somehow the Government should not have taken this action, in deference to striking miners. That is a peculiar argument. It suggests that the Government should intervene in a process which has been followed for the past four or five years without argument and give special treatment to striking miners. That is an odd request for anyone to make in the current circumstances.

When we consider the hardship caused throughout society, not just to the strikers and their families, but to many other people who are in the process of losing their jobs because of the miners' strike, it sits ill with the Opposition to make accusations of the sort that they have attempted to make today and have failed to make stick with any credibility.

I should much prefer to see the Opposition coming forward with positive, credible and reasonable suggestions about how the Government should act in these cases, instead of making carping and stupid comments which will help no one and will be positively counter-productive. If they could move to a more positive and helpful attitude, the country would thank the Opposition for it.

5.45 pm

Mr. Kevin Barron (Rother Valley): The hon. Member for Mid-Worcestershire (Mr. Forth) talked about positive suggestions to resolve the current dispute in the coal mining industry. I am tempted to remind him that it is about jobs. To my certain knowledge the hon. Gentleman holds at least two jobs. Perhaps he should consider releasing one of them to someone who is without a job—[HON. MEMBERS: "Which two?"] I understand that the hon. Gentleman is also a Member of the European Assembly.

Mr. Forth: Wrong again.

Mr. Barron: Then perhaps we should have had this debate earlier in the year.

No matter what has been said by the Secretary of State and by many of his right hon. and hon. Friends today, no one can get away from the fact that because of the Government's decision the vast majority of miners' families receiving supplementary benefit will receive less

in real terms this week than they did last week. Anyone who tries to hide from that is denying fact. The deemed payment rising from £15 to £16 cannot be seen as anything more than a callous attack on the wives and children of striking miners.

The increase is made under the Social Security (No. 2) Act 1980. That is one of the most despicable and pernicious pieces of legislation that even this Government have ever dared put through the House of Commons. It exists purposely to try to defeat strikes, but even more it is an attack on thousands of people. Government supporters echo their belief in the right of any worker to go on strike, and then they proceed to attack anyone daring to take strike action, and not just with this deemed payment provision.

Every week at my surgery I have bigger and bigger queues of people who are suffering under the supplementary benefits legislation and the other provisions of the 1980 Act. Only this week a constituent of mine with four very young children discovered that her washing machine had broken down. She applied for an urgent needs payment so that she could wash bedding and nappies for her family. She was told that as a consequence of the legislation passed in 1980 there was no urgent needs payment for the repair of a washing machine because her husband was on strike. If he had been in prison his wife would never have been at my surgery asking me to try to get her money from the DHSS.

Mr. David Heathcoat-Amory (Wells): Did the hon. Gentleman ask his constituent whether her husband had inquired from the NUM if any of the money in the suitcases was available to repair the washing machine?

Mr. Barron: As I understand it the suitcases are now in the hands of the judiciary, and I shall be dealing with that matter later.

This morning I received a letter from the local office of the DHSS. It is a great pity that the Secretary of State has left the Chamber, because I should like to have read it to him as well. It concerns a constituent of mine, a Mr. M., who works at Kiveton Park colliery. He is a diabetic. He has asked for nothing from the state for himself because up to 5 October 1984 he lived on his wife's earnings. He was then given £6 a week because his wife's earnings were not very big. He asked for some special dietary help to pay for the food that his diabetic condition made necessary. The letter reads:

"I am sorry that I am not able to be more helpful but I trust that this information will assist you in advising your constituent." Dietary needs beyond a certain level are not met for people who are deemed to be on strike.

I repeat that I believe that the legislation passed by this House in 1980 is one of the most pernicious and filthy laws that could ever be passed by any Government.

Those are only two of dozens of people who are in need of help but cannot get it because they are involved or deemed to be involved in a trade union dispute.

Conservative Members say that this measure is economic and that the legislation has existed for four years. But let me go back to an article in *The Economist* in 1978 on a Conservative party policy group report on nationalised industries. Its author was the Secretary of State for Transport—now a member of the Cabinet. The article talks of industrial disputes and how a Conservative Government would handle them and says:

[Mr. Barron]

"The group believes that the greatest deterrent to any strike would be 'to cut off the money supply to the strikers, and make the unions finance them'."

That Conservative party policy document was leaked to *The Economist* in 1978.

Indeed, that is what the Government have been trying to do. They have been prepared to stop dietary allowances and unemployment benefits to retired miners who agreed before the strike to retire. They have been prepared to use it to take £15—now £16—a week off miners' wives and their families. They have also been prepared to stop the urgent needs allowance and many other things.

How can the NUM pay any money? Had they done so the Minister knows that after a few weeks of the strike the union would have been bankrupt. But how can it pay that money now when its funds have been sequestered by Britain's judges? How can the north Derbyshire area of the NUM pay any money after a judgment in the High Court on 6 November this year by Mr. Justice Vinelott that it cannot use its funds to finance the strike in any way? The Conservative party is baying about the need for the NUM to pay its members, and it smacks of a conspiracy.

The uprating will be seen by the nation as an attack on the wives and the families of miners who are on strike and on others whom the Conservative party says have a right to strike. Yet as soon as that right is asserted the Conservative party attacks them in one of the most terrible manners possible.

The Prime Minister's amendment says that the NCB has negotiated with NACODS and come to a good agreement. That was put in great doubt at Question Time today when compulsory redundancies became an area of disagreement. When compulsory redundancies were mentioned two months ago in the House there was no qualification as there was from the Secretary of State at the Dispatch Box today. It now looks as though part of the agreement with NACODS only a few weeks ago is dodgy.

The amendment condemns the NUM for its failure to meet its obligations to its members. If the union had met its obligations to its members it would have been bankrupt within two or three weeks. People who have lost limbs working for the NCB may be fighting in the High Court now. Money is needed for such people to fight for rightful compensation. To deny that would be irresponsible and the NUM must ensure that it has funds to fight on behalf of its members in such circumstances. If the NUM had become bankrupt after four weeks, would the Government be here today saying that the NUM should meet its obligations to miners' families?

The document leaked to *The Economist* in 1978 had other things to say about what the Conservative party proposed to do in Government. The amendment talks about the intransigence of the NUM over the past nine months and the fact that it will not move on this strike. That is not true. The NUM has moved in relation to closures during the dispute. The Conservative party's policy group report on the nationalised industries, scribed by the Secretary of State for Transport, said:

"The group believes that the most likely battleground will be the coal industry."

The Labour party is often charged with using emotive language such as "battleground". The article continued

"They would like a Thatcher government to: (a) build up maximum coal stocks, particularly at the power stations; (b) make contingency plans for the import of coal; (c) encourage

the recruitment of non-union lorry drivers by haulage companies to help move coal where necessary; (d) introduce dual coal/oil firing in all power stations as quickly as possible."

The last paragraph of the article says:

"There should be a large, mobile squad of police equipped and prepared to uphold the law against violent picketing. 'Good non-union drivers' should be recruited to cross picket lines with police protection."

What I have said today is the real truth behind the miners' dispute. We have a chance to bring the matter up again later but it is important that the truth behind the dispute, behind the pernicious legislation, put on the statute book by the Government in 1980, and behind the Government's action today in attacking the wives and children of miners, should be put firmly on record so that our children can say that they will never again have a Government in power who abuse their position as this Government are.

5.56 pm

Mr. Roger Sims (Chislehurst): It is sometimes assumed that my constituents are well-heeled citizens living in the leafy suburbs. Some of them are senior people in well-paid positions in commerce, industry and government, but a large number of them are perfectly normal, reasonable, moderate people, living on moderate salaries, with a range of jobs, and many of them are in receipt of small pensions. They are paying income tax which is being spent by the Government in a wide variety of ways for which the House is responsible. Many millions of pounds are paid out to those who qualify for supplementary benefits. It is as well to remind ourselves that since the miners' strike began £23 million of taxpayers' money has been spent to pay supplementary benefit to strikers' families.

I and my constituents support the right of anybody to strike and to withdraw his labour, but I and my constituents think that it is entirely reasonable that when people do so the union should pay strike pay from its funds. My constituents support the law which assumes that when supplementary benefit is provided an amount of strike pay has been paid. That applies in any industrial dispute, not simply the one that is the main topic of our discussion today.

In this dispute the NUM has chosen not to pay strike pay. We have not yet heard a word of justification as to why it has not spent a penny of its funds on strike pay. We know that the NUM has about £80 million in assets from which it could pay strike pay, but it did not pay right from the beginning. The court order has been mentioned, but if from the beginning the union had made it clear that it would pay strike pay and had put funds aside to meet those demands, the court would have acted differently in the circumstances, which, in any case, arose from the action of the miners' leaders. The court action was entirely avoidable.

I wonder why people at home and abroad are being gulled into sending food parcels to miners. Why are foreign Governments being invited to send money to so-called starving miners who have available to them £80 million of assets if they care to use them?

The NUM has been paying those who are willing to stand on the picket lines. We all know the result of that. We have seen nightly on television what has been happening on the picket lines. My understanding of a picket is someone who is there peacefully to persuade others not to work. It does not need 6,000 pickets to prevent six people from going to work.

Mr. Allen McKay (Barnsley, West and Penistone): Does the hon. Gentleman agree that if there are only six pickets on a picket line they should be allowed to speak to the people who are going into work?

Mr. Sims: I certainly accept that if there are only six pickets it is reasonable that those seeking to go to work should be given the opportunity to hear what the pickets wish to say and to turn back or go in to work, as they wish. That is what pickets are supposed to do. It does not need 6,000 pickets to persuade half a dozen people not to go to work. The scenes that we have seen every day are not Tory scare stories. We have seen those scenes in the newspapers and on television every night. It is mob rule.

Perhaps the saddest feature of the past week is that the mob rule that we have seen on the picket lines has reached the Chamber. Perhaps the scenes that we saw here on Wednesday were not that surprising. After all, we know the attitude of the Militant Tendency to Parliament.

I note how few of those who sought to bring Parliament to a halt last week are present for the debate. A few of the same faces are here, but those who seem willing to pack the Floor to stop debate seem less willing to take part in a debate. Perhaps that demonstrates their contempt for Parliament.

I should like to have heard from the hon. Member for Oldham, West (Mr. Meacher) a denunciation of, or at least a dissociation from, the scenes in the Chamber on Wednesday. We have not heard that and, therefore, we must assume that, by acquiescence, the leadership of the official Opposition accepts what went on.

No doubt I shall be reminded of the so-called Mace incident. I was in the House at that time and I recall clearly that my right hon. Friend the Member for Henley (Mr. Heseltine) took the earliest opportunity to apologise to Mr. Speaker and to the House for what he had done. I look forward to hearing a similar apology from the hon. Members who took part in Wednesday's demonstration, which did not merely interrupt Parliament, but brought our proceedings to a halt.

The pickets have been paid, but the union has not been paying its members who are on strike. References have been made to starving the miners back to work and to the wives and children of miners being deprived. Who is doing the starving? Who is doing the depriving? Is the Department of Health and Social Security? [HON. MEMBERS: "Yes."] £23 million? Depriving?

Mr. Nellist: Will the hon. Gentleman give way?

Mr. Sims: No. The hon. Gentleman knows that it is the NUM which is doing the starving and the depriving.

Mr. Nellist: Will the hon. Gentleman give way?

Mr. Sims: No. I wish to draw my remarks to a close and to give my hon. Friends an opportunity to speak. I am sure that the hon. Gentleman will have his opportunity. He does not usually miss it.

The Opposition motion asks, in effect, for £16 more to be paid to the family of every striker. No doubt we shall be told that politics is the language of priorities. I am a strong supporter of the Government, but I do not always see eye to eye with them. Indeed, I felt unable to support the Government on Thursday, when I abstained on the vote on cuts in the BBC external service, the British Council and overseas aid. Perhaps that shows where my priorities lie.

I will not be a party to asking my constituents to pay even more benefits to the families of striking miners. The strike is unnecessary and has been called by a union which has ample assets, but is unwilling to use them for its members.

6.5 pm

Mr. Eric S. Heffer (Liverpool, Walton): My hon. Friend the Member for Oldham, West (Mr. Meacher) put the case exceedingly well and we are all glad that he had the opportunity to deploy that case.

When the Government introduced the 1980 Act, they were a mean and vicious Government and the longer that they have been in power, the more mean and vicious they have become. Ministers and their supporters are equally mean and vicious towards anyone who dares to go on strike.

I have heard Conservative Members say how much they favour the principle of working people withdrawing their labour, but they go on to say how much they also support money being taken from the wives and families of strikers, whether or not those workers are in a union—the Act says nothing about unions paying strike money.

Many workers who have never been members of a trade union have withdrawn their labour because they felt that there was nothing else that they could do. Under the Act, they are deemed to have paid £16 a week to their families, even though they may not have a penny. That means that wives and children are being acted against by this mean and vicious Government.

My hon. Friend the Member for Rother Valley (Mr. Barron), who was a miner before becoming an hon. Member, admirably put the case for the miners. When my right hon. Friend the Member for Salford, East (Mr. Orme), the Opposition spokesman on energy, and I were shop-floor workers, we were involved in many industrial disputes and we remember that under Labour Governments and even under the Macmillan Government it was recognised that although the striker never got a penny, his wife and family received the same benefits as anyone else in deprived circumstances. This vicious and mean Government brought in the legislation to deprive working people's families of those benefits. It is an absolute disgrace.

Conservative Members seem to be worried about the fact that I and some of my hon. Friends stood in front of the Mace last week. I make no apologies for that. It was not an act of violence. Conservative Members and newspapers which have dared to suggest that there was violence are lying. They are liars to suggest that there was violence. I remember violence in the House. I recall when a man who is now Secretary of State for Defence picked up the Mace, waved it round his head and began to charge at the Opposition Benches. That was a real act of violence. I am not surprised that he apologised the next day. So he should have done.

What we did was something that I saw Dame Irene Ward do. The hon. Lady walked from the Back Bench and stood in front of the Mace. She was thrown out of the House. She took that action because she felt so strongly about an issue.

What about the history of such action? F. E. Smith, —a predecessor of mine from Walton, where the people have guts — and his Conservative opponents to the Government stopped Asquith from speaking for half an hour. We did nothing like that. It is a lie to suggest that

[Mr. Eric S. Heffer]

we acted violently. What we did was to say to the Government that after their final act against the miners and their families, "enough is enough". For years we have had to tolerate this legislation. For years we have seen how it has operated against workers and their families. The time came when we decided that we had to make an extra demonstration. It was not just a question of discussion, we had to state where we stood and, if need be, accept the consequences of our action. None of us thought that the House would be suspended. We were prepared to be suspended ourselves. That is the truth and I put it on the record.

Mr. Fowler: Does the hon. Gentleman also defend his hon. Friend the Member for Coventry, South-East (Mr. Nellist) in tearing my statement from my hands and tearing it in half? Does he defend that?

Mr. Heffer: In the words of Barbara Castle on television the other day, I can say only, "Poor dear."

The truth is that the Government are determined to try to starve the miners back to work. They have intervened against the miners from the word go. My right hon. and hon. Friends have made valiant efforts to achieve a settlement round the table, but at each stage the Government have failed to support any attempt at a settlement. Instead, they have come out against any settlement and have done everything they can to stop it. That is the reality and the Government's last move is a deliberate attempt to drive the miners back to work.

I say to the right hon. Gentleman and his friends that the miners will not so easily go back to work. We should remember that Lord Stockton said in the House of Lords that we are talking about special people. These are working people who do a job that no Government Members, nor most Opposition Members would do. I should not want to go down into the bowels of the earth every day to earn a living. I have had to work on top of buildings, but that is a damned sight easier than working under the ground. Whatever the miners get they are entitled to it. Today they are being driven back, as they were in 1926 by a previous Tory Government who tried to break the power and influence of the miners because they are at the forefront of the working class. They are struggling for decent working conditions, decent wages and the maintenance of the trade union movement.

My hon. Friend the Member for Chesterfield (Mr. Benn) was 100 per cent. right when he said that the Government's strategy is to create a number of profitable areas in the minefields and to hand them over to private enterprise. That is the Government's strategy. That is what they are trying to do. They are doing that in other spheres.

We all deplore the fact that the Secretary of State for Trade and Industry is in hospital because of the IRA bombing, but he told us that once. He was told by his hon. Friends not to say it because it was not right, but the Government are endeavouring to do that.

The Government have waged the class war; our people have not. From the word go the Government, with their massive police presence have waged the class war. What about the violence described by my hon. Friend the Member for Cynon Valley (Mrs. Clwyd). I never hear people talking about the violence used by the police against ordinary people and against those who are not even involved in the dispute. Whether the Government like it

or not, they will not be able to destroy the trade unions or the miners. They will not be able to destroy our working class solidarity because it is ours. We got it; we built all our achievements and advances on the basis of it. No matter how the Government try we shall win because history is on our side.

6.17 pm

Mr. John Powley (Norwich, South): Hon. Members may think that the fair green fields of Norwich and Norfolk are a long way from the minefields. So they are. However, my constituents have to accept the responsibilities for many of the actions in the mines and in the dispute, and they do not like the consequences.

I say this more in sorrow than with any other emotion, but the actions in the House last Wednesday will result in the Conservative party receiving public support. Those who are involved in the dispute will lose public support because the public does not like the type of action that we witnessed on Wednesday.

Whether it was right or wrong for the Secretary of State to come to the House to make a statement is not the concern of the majority. People are worried because Parliament was disrupted. People have an inherent dislike of such disruptive action. That is a fact of life, and the Opposition would do well to take note of it.

Much has been said about the rights of strikers. Something else goes with rights—responsibility. The two are synonymous. They always have been and always will be. We cannot get away from that. We all have rights, but we also have responsibilities. A miner has responsibilities to his family, and there is no doubt about that. He has to feed and clothe and also to provide accommodation for his family. Those are prime responsibilities. No miner worth his salt can absolve himself from those responsibilities. However, a miner has a right to strike. When a member of the National Union of Mineworkers exercises his right to go on strike, he must weigh his responsibilities and the consequences that will flow from his action of going on strike. No one should think that he can take that action and not have to accept the consequences and responsibilities that go with it. If a worker decides to go on strike—

Mrs. Clwyd *rose*—

Mr. Powley: No, I shall not give way. I tried to intervene during the speeches of a number of Labour Members and was denied the opportunity to do so. Time is limited and I shall not give way.

If a miner goes on strike, he must accept that he will receive a much lower income, if any income at all. He must know that his family will suffer and that it will not have the same standard of living that it enjoyed before he went on strike. If he chooses to go on strike, he cannot at the same time absolve himself from all his family responsibilities and expect someone else to pick up the tab.

Mr. Robert Litherland (Manchester, Central) *rose*—

Mr. Powley: No, I shall not give way.

Labour Members have talked about redundancies, but redundancy payments act as a cushion. That is a responsibility of the state, and one which it rightly accepts. I am talking about someone who decides of his own free

will to go on strike in furtherance of an industrial dispute, thereby denying himself the opportunities that would otherwise be his.

If a man decides to go on strike, that is his priority. In taking that decision, he decides that the income from his employment is not his priority. I do not accept that that is the right choice, but it is one that a striker makes. He is not coerced into making that decision. There has been intimidation, but generally no one will coerce a man into going on strike. That means that the decision is made of his own free will. He will have said to himself, "I prefer to go on strike than to maintain my family's standard of living. I prefer to go on strike than to feed and clothe my family and to continue to provide the members of my family with the benefits I have provided hitherto."

Mr. Frank Cook (Stockton, North) *rose*—

Mr. Powley: I shall not give way.

A miner who decides to go on strike must not expect the state to prop up his family and provide all the benefits that he has provided for it. The provision of those benefits is the responsibility of the individual who chooses to take strike action and not that of the state. Some of my constituents have told me, "I choose to work and to devote my resources to providing for my family. I work hard and accept overtime when it is available. Why should I prop up those who, through their own choice, have decided to embark on an industrial dispute and, in consequence, not to support their families?" Many of my constituents find that action abhorrent to their way of thinking.

Mr. Cook *rose*—

Mr. Powley: No, I shall not give way. I explained that I would not give way, and I will not give way.

Mr. Cook: The hon. Gentleman does not dare to give way.

Mr. Powley: It ill becomes anyone to say that I dare not do something. Those who know me know that I will do what I choose to do, irrespective of a dare. I shall not fall into the silly trap that Labour Members try to set.

Labour Members love to suggest that Conservative Members have not had the experience that they claim to have. They suggest that all Conservative Members attended public schools and were born with silver spoons in their mouths. I am sure that you know it all, Mr. Speaker. I have a little story to tell Labour Members. Some of us may have had rather more experience—

Mr. Nellist: On a point of order, Mr. Speaker. Surely the terms of the motion do not lend themselves to the telling of stories. Will you tell this person, the hon. Member for Norwich, South (Mr. Powley), to keep to the subject that under discussion?

Mr. Speaker: I hope that the story of the hon. Member for Norwich, South (Mr. Powley) relates to the coal mining dispute.

Mr. Powley: It is related to the dispute, Mr. Speaker. I was brought up in a working class family. My father was a shop steward for most of his life. It was his proud boast that he never needed to call his members out on strike in furtherance of an industrial dispute. That shows that the image that Labour Members present of Conservative Members is false.

I deplore the double-speak that we have heard today and on so many other occasions. The cry goes up so often from

Labour Members that they have sympathy for the striker, his family and his babies. However, they support industrial disputes that hit strikers' wives and their children and babies, the sick and the old. They do so time after time. Their actions and words amount to hypocrisy.

It is said that the Government have mounted a vicious attack on the miners. I was successful in the 1983 general election, and I admit that I was not successful in 1979. However, the Conservative party stated clearly during both elections—I supported it—that the unions should take an increasing share of responsibility for their actions. That was made abundantly clear during both elections. The Conservative party won the 1979 election and had a fairly comfortable majority in this place. It won the 1983 election and secured an overwhelming majority. It is clear that the Conservative party's policy is supported by the majority of the public. Indeed, some would say that the Government have not gone far enough. The general public support the policy that I outlined at the beginning of my speech. They believe that those who want to perpetrate certain actions should accept the consequences and responsibilities that go with them.

6.29 pm

Mr. Gordon Brown (Dunfermline, East): When the suffering of mothers and children is the issue, this debate has shown already that the order which has been produced before the House is not only unnecessary but vindictive, provocative and discriminatory. The disgrace and shame is obvious from the despicable manner of the order's presentation, only four days before its implementation. Under pressure, the Secretary of State has explained that the order is not automatic and was avoidable. The right hon. Gentleman has explained that although he issued an order, he could have issued regulations. If he felt that he would never issue regulations, why is the provision for regulations contained in the Social Security (No. 2) Act 1980? This Government have already done what no other Government have done in deducting money from the wives and children of miners. How much more hardship and suffering must they cause before they will even consider putting before the House regulations instead of an order?

Are the Government surprised at the frustration, anger and bitterness in mining communities, when they have published an order, the effect of which is to deduct £1 from miners' families, and kept quiet, to the point of avoiding parliamentary answers, about the £750,000 they promised to pay Mr. Ian MacGregor's American firm as a bonus for his activities in Britain? When miners receive nothing from the Department of Health and Social Security, Ministers and other Conservative Members have argued that somehow the Government have the right to wash their hands of any responsibility for mothers and children and to pass the burden on to a trade union. The Government say that they should represent and cater for the needs of the nation, but that when it suits them, they should be able to take away the benefits that should be payable to some parts of the nation.

I remind Conservative Members that it was the Prime Minister who said that there was a safety net below which no one in this country should be allowed to fall. Indeed, the predecessor of the present Secretary of State for Social Services said:

[Mr. Gordon Brown]

"we will ensure that . . . the safety net below which none shall fall is maintained intact".—[Official Report, 15 April 1980; Vol. 982, c. 1033.]

The present Foreign Secretary, when Chancellor of the Exchequer, said:

"any civilised society should provide a safety net below which a poor person's standard of living should not fall."—[Official Report, 26 March 1980; Vol. 981, c. 1458.]

The present Chancellor of the Exchequer is reported as having said:

"We want a decent safety net of social security payments for the needy. We shall not change that."

What sort of safety net do we have when the Government have transferred the conduct of industrial relations from conciliation to the courts of law and the police cells and have transferred the responsibility for the relief of poverty from the social security office to the soup kitchen? What is the national minimum below which no one should fall? We know that the minimum daily allowance for one meal a day provided by the DHSS is £1.35. Yet a miner's wife is expected to live and meet all her household needs—food, heating and clothing—on only 92p a day, which is only two-thirds of that provision.

What is the poverty line above which all people are supposed to be? It is a measure of the Government's retribution against the strikers and their families that they deduct not just £16 from the wives and children of miners, but give them £20 a week less than they pay to households of four where the father is in goal. The Government give miners' families £30 a week less than they give to a family where the father has walked out. The Government give a miner's family of four £40 a week less than if the breadwinner were unemployed instead of fighting for his job.

On top of that, during this strike, the Government have denied miners' families in my constituency and in other constituencies help with heating costs, the full rate of maternity allowance and even funeral costs, until the Minister was forced by public pressure to change his mind. Conservative Members should recall that even the Conservative Government of 1926 were so worried about the destitution that they had created in mining communities that they ordered the local authorities to break the law to alleviate at least some of the suffering that they had created. Now, in 1984, this Conservative Government are so concerned to create destitution and maximise suffering that, month by month—and almost week by week—new regulations, orders and instructions have been issued by the DHSS to make already impoverished families subject to even greater misery and destitution.

In March, when a child in a family of four from the constituency of my hon. Friend the Member for Dunfermline, West (Mr. Douglas) was run over and killed in a car accident, the Department of Health and Social Security denied help with the funeral costs and tried to force a pauper's funeral on that family. Only public pressure made the Minister change his mind and agree to do something he has not yet done—change the law.

In April, the Government tried, through the DHSS's adjudication officers, to prevent family income supplement being paid to the working wives of miners. Despite the fact that 16 tribunals have ruled against the Government, they are still opposing the case.

In May, the Government tried to rule against local authorities trying to relieve destitution in mining

communities. Six months later, during which the Government have tried to prevent local authorities giving any help, they have had to admit that, in trying to delay the final appeal before the commissioner, they do not have sufficient legal evidence to back up their case.

In July, the Minister introduced new regulations to deduct from miners' social security benefits even the cost of soup or of logs paid for by charities and voluntary organisations.

Today, we have heard of the deduction of £1 from miners' families. What should have been a statement two months ago came as a written answer only last week.

At every point during this strike the Government have had a choice. When Ministers should have shown compassion to the wives and children of miners, they have chosen vindictive cuts. When they should have relieved suffering, they have increased it. When they should have prevented destitution, they have sought to worsen it. When they should have mitigated hardship, they have sought, for the narrowest of ideological reasons, to intensify it.

Mr. Patrick Thomson (Norwich, North): Will the hon. Gentleman give way?

Mr. Brown: I am just finishing.

The Government may win the vote tonight, but on this issue, as on many issues affecting the benefits and rights of ordinary people, they have lost all moral authority to govern.

6.37 pm

Mr. Roger King (Birmingham, Northfield): This dispute has now gone on for nearly eight months—eight months of lack of negotiation by the leader of the NUM. It is small wonder that after eight months of he and his gang not getting a successful outcome, the points made in this debate should be about the moral issue. This afternoon we have had paraded in front of us the moral issue of starving children, poor wives, lack of shoes, food, and so on. Of course, after eight months of being on strike, miners are hardly likely to be at the height of affluence. This is a two-sided moral issue. The trade unions were set up to organise themselves to obtain better working conditions and wages and to take on recalcitrant employers who were determined to hold on to what they had. The trade unions rightly organised their finances so that they could support their members in all forms of industrial action. Eventually, over the decades, the country had had enough suffering.

In the 1970s there was the winter of discontent and all the industrial relations problems that were heaped upon us during the period of the previous Labour Government. The Conservative party platform was, "Yes, we want accountability for what people do and that accountability embraces the responsibility of trade unions when they take industrial action." We said that the trade unions should pay for or make a contribution to the issues on which they embarked. The Opposition have talked about the problems confronting 120,000 mine workers, but what about our responsibilities towards the remaining 55 million people who have to pick up the bill for the NUM's bad judgment?

We have heard a lot about solidarity. What is meant by solidarity? What other support does the NUM have? Is it the solidarity of lorry drivers trundling coal to the power stations? Is it the solidarity of the railway men who are continuing to deliver coal? Is it the solidarity of the power

workers, when there has been not one power dispute since this action started and not one likely to happen? Is it like solidarity of the NUM, a growing number of whose members are going back to work day by day, and rightly so?

Mr. Robert N. Wareing (Liverpool, West Derby): The Government have starved them back to work.

Mr. King: They may well have been starved back, but no one else has got them anything. Mr. Scargill has given them nothing but rhetoric, blunder and promises of money from Russia and Colonel Gaddafi, while he is bundling it out of the country to Ireland and America. The only money that Mr. Scargill promises is for those on the picket line. People can stand there and draw their picket money. What does Arthur Scargill say to those who are suffering genuine hardship. We have heard of a few of those? Nothing. He blames everything on the NCB and the Government.

Where has the money gone that has been collected in the streets? Who has audited it? Who has been accountable for it? We can hardly travel down a street without someone offering a bucket for us to drop our loose change into. What happens to that money? [AN HON. MEMBER: "The hon. Gentleman has not dropped his loose change in."] No. I shall not give money to that cause when other causes, such as Ethiopia and children in need, are being collected for in the same street. The money is being used to foment this industrial dispute. We have seen on television what that has led to.

The NUM executive has carried on this industrial dispute, and it does not give a damn for its union members. If it did, it would have held a ballot. The result of that ballot may well have been a complete stoppage and the dispute would have been over within a matter of weeks. The executive tried to get its own way without carrying out its democratic duties, according to its rule book, and that has led to the hardship that we now see.

As Christmas draws near there will be the problems of children not having food, presents, and so on. Our hearts will be twanged away at like mad by Opposition Members reminding us that for many people Christmas will not come this year. The answer to that is simple. The miners have only to accept the NCB's offer and take the money that is on the table. Any miner who returns to work now will receive £600 in his pocket before Christmas. That will provide shoes, clothes and Christmas presents that the children want and deserve.

Our appeal to the miners must be for them to return to work, to get the pits working again, and take up the excellent offer negotiated by ACAS. Some of us believe that that offer is rather too much—we are not pleased about that—and that the NCB would be giving too much away. If NACODS can accept the offer, why the NUM cannot remain a mystery.

What about the small business man? If the full entitlement had been paid without discounting £15 or £16, how much would it have cost the country? How many small businesses, which have a job to balance their books, would have gone to the wall as a result of no coal and no electricity and all the problems that would have ensued? Hundreds of thousands of other people would have been badly hurt. The miners should accept the offer that is on the table and return to work. They would then draw their money and that would solve many of their and their

families problems. Miners should remember that their responsibility is not to the union or to their colleagues, but, first and foremost, to their families.

6.43 pm

Mrs. Ann Clwyd (Cynon Valley): I must respond to one point made from the Conservative Benches in reply to my intervention earlier. It was on the subject of violence. The hon. Member for Norwich, South (Mr. Powley) suggested that the one person about whom I spoke could obtain some satisfaction by reporting the act of violence committed against him and his wife to the police.

I do not apologise for repeating this point. During the dispute we have not heard sufficient about the violence perpetuated against bystanders who are taking non-violent action on picket lines. We have tonight heard a great deal from the Conservative Benches about violence. My constituent, a Labour councillor, was a bystander on a picket line last Tuesday. He was standing on a wall watching what happened. He saw a group of police beat up a constituency lodge chairman. He called to the police to stop. He was pulled off the wall and dragged to the floor. His face was grazed and his knees were bruised. When his wife went over to intervene, she was hit in the stomach. When he told the senior policeman on duty that he was going to report the incident to the police, he was told that he was under arrest. That is what happens when someone wishes to report an incident to the police.

My constituent said that in that case he would drop his complaint, but he went to the police station and reported the incident. He returned to the picket line the next day and saw the same police officers on the same picket line. When he went to the senior police officer on duty he was told that they had not been removed from the picket line because they had been told what to do by the police commander.

Such incidents have rarely been talked about, but, make no mistake, they take place. They are violent actions against people who are not taking part in the picket, but we hear nothing about them in the press or from the Government.

The increases made in the order are, apparently, because of the increase in inflation. Families—it is worth repeating this—will be worse off in real terms as a result of the £1 deduction. Let me give two examples. In 1979, a couple who were both on strike could claim from the DHSS an urgent needs payment of £24. In 1984, a couple, with one person on strike and with two children under 10, receive £24.75. That is a rise of 75p in five years. What sort of justice and welfare is that?

During the strike, thousands of people have become involved in creating alternative welfare systems. A large part has been played by women. Women have always played an important, but underestimated, role in mining life, but never more so than during this strike. Women are hurt much more than men in a dispute. It is the women who have to take charge of the household and take care of the children to ensure that they are fed.

The women in my constituency decided that if everyone could have one hot meal a day they could survive and would not be starved back to work. In our community we have 13 strike feeding committees. The women from the kitchens meet regularly to discuss their experiences and keep themselves together. Letters of support are read out. Some women read their poems. They keep a note of the best and the worst that happens. The women say that they sometimes have a bit of a cry. The pressure on them is

[Mrs. Ann Clwyd]

terrific and it is hard work, but they also have some laughs. It cannot be denied that the strike has involved enormous hardship.

Living without a wage from the pits, men have received no social security payments, and their families were assumed to be in receipt of—now £16—strike pay. Miners and their families have been forced to live off friends, sacks of potatoes and the odd £10 from relatives. They are having to cash their insurance policies, raise second mortgages, sell their cars and their furniture, and live off tick. But the determination to see it through is there, despite all the hardship. Despite all the hardship, all the worry and all the doing without, people are not broken in body or in spirit. If anything, the opposite is true.

6.50 pm

The Minister for Social Security (Mr. Tony Newton): Rarely can there have been a debate which was so much heralded and which has misfired as badly as the debate in the past three hours. If ever there has been a thin case, deployed in antique rhetoric, we have heard it during the past three hours. Much of the huffing and puffing has been a farce from the beginning.

If the statement that was made last week had been made at the time of the uprating in June, the hon. Member for Oldham, West (Mr. Meacher) would have said that we were trying to smuggle it out, hidden by the pension increases and the child benefit increases. If it had been done when the uprating orders were made in July, he would have said that we were rushing it through before the summer recess. If we had done it in August, he would have said that it was a disgrace that it was not done in July. If we had done it in September, he would have said that it was terrible that we had not waited until Parliament came back from the summer recess. If we had done it a month ago, he would have said that we were trying to back up the National Coal Board in the offers and negotiations with which it was then involved. We do not know what the hon. Gentleman would have said last week. When he tried to say it, his own hon. Friends would not let him talk.

In the end, we did more than we have done in any of the past four years. We laid the order and we made a press statement—

Mr. Nellist: One cannot eat statements.

Mr. Newton: The hon. Gentleman had a good try last week.

Mr. Nellist: Perhaps the Minister can tell the House the last occasion when he and his wife managed on £6.45 for a week. When was the last time that he went without a meal? Will he tell the House how he expects families to survive for nine months on the pittance that the Government give them? Now another pound has been taken from them. [Interruption.] There is hilarity on the Conservative Benches. Those hon. Members would probably spend £6.45 or more on a round in the Bars downstairs. They do not give a damn about people. The Minister stands there making a mockery of people who are fighting for their jobs.

Mr. Newton: If I may say so, one does not have to work very hard to make a mockery of the hon. Gentleman.

Mr. Nellist: What I have said is the truth.

Mr. Newton: If the hon. Gentleman will stop behaving like the parliamentary equivalent of a half brick, I shall get on with my speech.

In the past three hours we have heard a great deal about how vindictive and provocative the Government have been. The same things would have been said whenever the announcement was made, despite the fact that it was automatic. We have heard those remarks against the background of 1¼ million payments of supplementary benefit over the period concerned, totalling £23 million. That is without even taking account of payments of housing benefit. On this very day, 30,000 dependents of miners on strike are receiving an increase in the benefit that is paid to them. Is that vindictive and provocative? There are strikers in many other parts of the world who would think that our strikers are doing very well.

Where a man, for whatever reason, chooses to deprive himself of the means to support his dependants, whether of his own volition or because his union asks him or tells him to, it is not vindictive or provocative to expect either that man or his union to make some provision for his needs, and not to expect the rest of the community to pick up the whole of the bill. That is a simple, commonsense proposition.

When I am told that it is provocative that the Government allowed the law to take its course today, I ask myself: how provocative would it have been to the miners who have worked throughout, and those who have gone back, if we had taken special action to change the law to protect those who are still on strike? This is not deemed strike pay, as has been said several times throughout the debate.

My heart less than bleeds when I am told that the National Union of Mineworkers might have gone bankrupt if it had attempted to pay strike pay. Any other organisation which embarks on a course of action which might bankrupt it has to think about that before it starts. The hon. Member for Oldham, West used a delicate phrase to explain why no strike pay has been paid. He talked about the NUM's money being "otherwise immobilised". It was not immobilised; it moved out of the country so fast that nobody could see it go.

There have been some serious and reasonable contributions to the debate. I pay tribute to the hon. Members for Roxburgh and Berwickshire (Mr. Kirkwood), and for Bassetlaw (Mr. Ashton), and to a number of others. I want it to be clear that there has been no attempt whatever—nor will there be—by Ministers to lean on individual adjudicating officers to bend their decisions either way within the existing rules. [Interruption.] The hon. Member for Bassetlaw cannot have it both ways. He complains that different adjudicating officers in different places take different decisions.

Mr. Ashton: Initially.

Mr. Newton: How is it that Ministers, who are able to instruct the adjudicating officers, cannot even bring about consistency? The answer is that we do not tell adjudicating officers what views to form. It is their business to interpret the regulations.

The treatment of girl friends is precisely the same as it would be in any other circumstances with claims for supplementary benefit. The rules on trade disputes make provision for meeting maternity need, if necessary, when

the baby arrives. I tell the hon. Member for Dunfermline, East (Mr. Brown) that the rules on gifts and goods in kind have not been changed and are those which apply normally throughout the supplementary benefit system.

I was asked about family income supplement. There was mention of 16 appeals having gone one way. Seventeen appeals have gone the other way. In other words, there is no clear view with regard to FIS. I hope that the position will be resolved shortly by a tribunal of commissioners.

I cannot, in the time available to me, cover all the detailed points which have been made in the debate. For once I found myself having some sympathy with the right hon. Member for Chesterfield (Mr. Benn)—and not just because of the slight sense that he had left the real world. [Interruption.] It was primarily because I think he may be right to complain that the House has not debated the miners' dispute sufficiently, but he would not be right if he tried to blame the Government for that. The reason why the miners' dispute as such has not been debated often is the same reason as that behind today's debate. The Opposition Front Bench do not want to debate the real issues of the day. [Interruption.] They do not dare debate the real issues of the miners' dispute. They will not condemn the violence. They will not condemn the nonsense of the NUM's position. They are all too happy to have those serious issues hidden by the silly smokescreen which has been created by this issue in the past week.

I hope that the House, in proper parliamentary fashion, will do what the hon. Member for Coventry, South-East (Mr. Nellist) did in another and more physical way last week, and tear up the motion with its vote.

Mr. Speaker: The Question is—

Mr. Dave Nellist (Coventry, South-East) *rose*—

Mr. Speaker: I call the hon. Member for Coventry, South-East (Mr. Nellist). He has one minute.

Mr. Michael Cocks (Bristol, South) *rose in his place and claimed to move*, That the Question be now put.

Question, That the Question be now put, *put and agreed to*.

Question put accordingly, That the original words stand part of the Question:—

The House divided: Ayes 185, Noes 279.

Division No. 17]

[7 pm]

AYES

Abse, Leo
Adams, Allen (Paisley N)
Alton, David
Anderson, Donald
Archer, Rt Hon Peter
Ashdown, Paddy
Ashley, Rt Hon Jack
Ashton, Joe
Atkinson, N. (Tottenham)
Bagier, Gordon A. T.
Banks, Tony (Newham NW)
Barnett, Guy
Barron, Kevin
Beckett, Mrs Margaret
Benn, Tony
Bennett, A. (Dent'n & Red'sh)
Birmingham, Gerald
Bidwell, Sydney
Blair, Anthony
Boothroyd, Miss Betty
Boyes, Roland
Bray, Dr Jeremy
Brown, Gordon (D'mline E)
Brown, Hugh D. (Provan)
Brown, R. (N'c'tle-u-Tyne N)
Brown, Ron (E'burgh, Leith)
Bruce, Malcolm
Buchan, Norman
Caborn, Richard
Callaghan, Rt Hon J.
Callaghan, Jim (Heyw'd & M)
Campbell, Ian
Campbell-Savours, Dale
Canavan, Dennis
Carter-Jones, Lewis
Clark, Dr David (S Shields)
Clay, Robert
Clwyd, Mrs Ann
Cocks, Rt Hon M. (Bristol S.)
Cohen, Harry
Concannon, Rt Hon J. D.
Conlan, Bernard

Cook, Frank (Stockton North)
Corbyn, Jeremy
Cowans, Harry
Cox, Thomas (Tooting)
Craigen, J. M.
Crowther, Stan
Cunliffe, Lawrence
Cunningham, Dr John
Davies, Rt Hon Denzil (L'III)
Davies, Ronald (Caerphilly)
Davis, Terry (B'ham, H'ge H'I)
Deakins, Eric
Dewar, Donald
Dixon, Donald
Dobson, Frank
Dormand, Jack
Douglas, Dick
Dubs, Alfred
Duffy, A. E. P.
Dunwoody, Hon Mrs G.
Eadie, Alex
Eastham, Ken
Edwards, Bob (W'h'mpt'n SE)
Ellis, Raymond
Evans, John (St. Helens N)
Ewing, Harry
Fatchett, Derek
Faulds, Andrew
Field, Frank (Birkenhead)
Fields, T. (L'pool Broad Gn)
Fisher, Mark
Flannery, Martin
Foot, Rt Hon Michael
Forrester, John
Fraser, J. (Norwood)
Freeson, Rt Hon Reginald
Freud, Clement
George, Bruce
Gilbert, Rt Hon Dr John
Golding, John
Gould, Bryan
Gourlay, Harry
Hamilton, James (M'well N)
Hamilton, W. W. (Central Fife)
Harrison, Rt Hon Walter
Hart, Rt Hon Dame Judith
Hattersley, Rt Hon Roy
Heffer, Eric S.
Hogg, N. (C'nauld & Kilsyth)
Holland, Stuart (Vauxhall)
Home Robertson, John
Howells, Geraint
Hoyle, Douglas
Hughes, Dr. Mark (Durham)
Hughes, Robert (Aberdeen N)
Hughes, Sean (Knowsley S)
John, Brynmor
Johnston, Russell
Jones, Barry (Alyn & Deeside)
Kilroy-Silk, Robert
Kirkwood, Archy
Lambie, David
Leadbitter, Ted
Leighton, Ronald
Lewis, Ron (Carlisle)
Lewis, Terence (Worsley)
Litherland, Robert
Lloyd, Tony (Stretford)
Lofthouse, Geoffrey
Loyden, Edward
McCartney, Hugh
McDonald, Dr Oonagh
McKay, Allen (Penistone)
McKelvey, William
McNamara, Kevin
McWilliam, John
Madden, Max
Marek, Dr John
Marshall, David (Shettleston)
Mason, Rt Hon Roy
Maynard, Miss Joan
Meacher, Michael
Michie, William
Mikardo, Ian
Millan, Rt Hon Bruce
Morris, Rt Hon A. (W'shawe)
Morris, Rt Hon J. (Aberavon)
Nellist, David
Oakes, Rt Hon Gordon
O'Brien, William
Orme, Rt Hon Stanley
Park, George
Parry, Robert
Patchett, Terry
Pendry, Tom
Penhaligon, David
Pike, Peter
Powell, Raymond (Ogmore)
Prescott, John
Radice, Giles
Redmond, M.
Rees, Rt Hon M. (Leeds S)
Richardson, Ms Jo
Roberts, Ernest (Hackney N)
Robertson, George
Rooker, J. W.
Ross, Ernest (Dundee W)
Rowlands, Ted
Ryman, John
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon R.
Shore, Rt Hon Peter
Short, Ms Clare (Ladywood)
Short, Mrs R. (W'hampt'n NE)
Silkin, Rt Hon J.
Skinner, Dennis
Smith, C. (Isl'ton S & F'bury)
Smith, Rt Hon J. (M'kl'ds E)
Snape, Peter
Soley, Clive
Spearing, Nigel
Steel, Rt Hon David
Stott, Roger
Strang, Gavin
Straw, Jack
Thomas, Dafydd (Merioneth)
Thomas, Dr R. (Carmarthen)
Thompson, J. (Wansbeck)
Thorne, Stan (Preston)
Tinn, James
Torney, Tom
Wainwright, R.
Wallace, James
Wareing, Robert
Weetch, Ken
Welsh, Michael
White, James
Williams, Rt Hon A.
Wilson, Gordon
Winnick, David
Woodall, Alec

Tellers for the Ayes:
Mr. John Maxton and
Mr. Robin Corbett.

NOES

Atkins, Robert (South Ribble)
Baker, Rt Hon K. (Mole Vall'y)
Baker, Nicholas (N Dorset)
Banks, Robert (Harrogate)
Beaumont-Dark, Anthony

Fields, T. (<i>L'pool Broad Gn</i>)	McCartney, Hugh	Shore, Rt Hon Peter	Tinn, James
Fisher, Mark	McDonald, Dr Oonagh	Short, Ms Clare (<i>Ladywood</i>)	Torney, Tom
Flannery, Martin	McKay, Allen (<i>Penistone</i>)	Short, Mrs R. (<i>W'hamp't'n NE</i>)	Wainwright, R.
Foot, Rt Hon Michael	McKelvey, William	Silkin, Rt Hon J.	Wallace, James
Forrester, John	McNamara, Kevin	Skinner, Dennis	Wareing, Robert
Fraser, J. (<i>Norwood</i>)	McWilliam, John	Smith, C. (<i>Isl'ton S & F'bury</i>)	Weetch, Ken
Freeson, Rt Hon Reginald	Madden, Max	Smith, Rt Hon J. (<i>M'k'l'ds E</i>)	Welsh, Michael
Freud, Clement	Marek, Dr John	Snape, Peter	White, James
George, Bruce	Marshall, David (<i>Shettleston</i>)	Soley, Clive	Williams, Rt Hon A.
Gilbert, Rt Hon Dr John	Mason, Rt Hon Roy	Spearing, Nigel	Wilson, Gordon
Golding, John	Maynard, Miss Joan	Steel, Rt Hon David	Winnick, David
Gould, Bryan	Meacher, Michael	Stott, Roger	Woodall, Alec
Gourlay, Harry	Michie, William	Strang, Gavin	Wrigglesworth, Ian
Hamilton, James (<i>M'well N</i>)	Mikardo, Ian	Straw, Jack	
Hamilton, W. W. (<i>Central Fife</i>)	Millan, Rt Hon Bruce	Thomas, Dafydd (<i>Merioneth</i>)	Tellers for the Noes:
Harrison, Rt Hon Walter	Morris, Rt Hon A. (<i>W'shawe</i>)	Thomas, Dr R. (<i>Carmarthen</i>)	Mr. John Maxton and
Hart, Rt Hon Dame Judith	Morris, Rt Hon J. (<i>Aberavon</i>)	Thompson, J. (<i>Wansbeck</i>)	Mr. Robin Corbett.
Hattersley, Rt Hon Roy	Nellist, David	Thorne, Stan (<i>Preston</i>)	
Heffer, Eric S.	Oakes, Rt Hon Gordon		
Hogg, N. (<i>C'nauld & Kilsyth</i>)	O'Brien, William		
Holland, Stuart (<i>Vauxhall</i>)	Orme, Rt Hon Stanley		
Home Robertson, John	Owen, Rt Hon Dr David		
Howells, Geraint	Park, George		
Hoyle, Douglas	Parry, Robert		
Hughes, Dr. Mark (<i>Durham</i>)	Patchett, Terry		
Hughes, Robert (<i>Aberdeen N</i>)	Pendry, Tom		
Hughes, Sean (<i>Knowsley S</i>)	Penhaligon, David		
Jenkins, Rt Hon Roy (<i>Hillh'd</i>)	Pike, Peter		
John, Brynmor	Powell, Raymond (<i>Ogmore</i>)		
Johnston, Russell	Radice, Giles		
Jones, Barry (<i>Alyn & Deeside</i>)	Redmond, M.		
Kennedy, Charles	Rees, Rt Hon M. (<i>Leeds S</i>)		
Kilroy-Silk, Robert	Richardson, Ms Jo		
Kirkwood, Archy	Roberts, Ernest (<i>Hackney N</i>)		
Lambie, David	Robertson, George		
Leighton, Ronald	Rooker, J. W.		
Lewis, Ron (<i>Carlisle</i>)	Ross, Ernest (<i>Dundee W</i>)		
Lewis, Terence (<i>Worsley</i>)	Rowlands, Ted		
Litherland, Robert	Ryman, John		
Lloyd, Tony (<i>Stretford</i>)	Sedgemore, Brian		
Lofthouse, Geoffrey	Sheerman, Barry		
Loyden, Edward	Sheldon, Rt Hon R.		

Question accordingly agreed to.

MR. SPEAKER *forthwith declared the main Question, as amended, to be agreed to.*

Resolved,

That this House re-affirms the policy established by the Social Security (No. 2) Act 1980 that those on strike should be expected to contribute to the cost of maintaining their families; notes that, consequent on the general uprating on social security benefits, all but a tiny minority of strikers receiving supplementary benefit are being paid the same or more benefit, not less; acknowledges that the Government have as in previous years followed the requirements of the Act in uprating the "specified sum" to be deducted from benefit payable for strikers' dependants; acknowledges that the National Coal Board has negotiated constructively in reaching a settlement with the National Association of Colliery Overmen, Deputies and Shotfirers on the central issues of the dispute; and condemns the failure of the National Union of Mineworkers either to meet its obligations to its members and their families or to move from its total unreasonable position in negotiations.



file

CTF

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Andrew Turnbull Esq
10 Downing Street

22 November 1984

Dear Andrew,

BENEFITS FOR STRIKERS

Following Parliamentary Questions from Mr James Pawsey MP, Mr Fowler has published some additional information on the payment of benefits to strikers. I enclose his reply for your information.

I am sending copies to Private Secretaries to all members of the Cabinet, the Chief Whip and the Paymaster General.

Yours sincerely,

S H F Hickey

S H F Hickey
Private Secretary

PRESS RELEASE

Alexander Fleming House
Elephant and Castle
London SE1 6BY

Telephone 01-407 5522

84/380

22 November 1984

BENEFIT PAYMENTS TO STRIKERS

Norman Fowler, Secretary of State for Social Services, today (Thursday) gave details of social security benefit payments to people involved in the miners' strike. In answer to Parliamentary Questions from Mr James Pawsey (Rugby and Kenilworth) he said:

"The total amount of supplementary benefit paid to families of striking miners since the strike began had reached about £23 million by 6 November. The weekly total paid has fluctuated but is now about £738,000. In addition recipients of supplementary benefit will, where applicable, have their rent and rates paid in full through housing benefit. The amount of supplementary benefit paid takes account of the fact that any family with children will continue to receive child benefit.

"Depending on circumstances and on the satisfaction of relevant conditions either a striker or a member of his family may be entitled to receive other benefits including:

- One-parent benefit;
- Family Income Supplement;
- Disablement benefits and related allowances;
- War pensions and related allowances;
- Mobility allowance;
- Maternity allowances;
- Sickness and other incapacity benefits.

"Payment of some of these benefits is taken into account in assessing entitlement to supplementary benefit. Information about expenditure on these benefits for striking miners or their families is not recorded separately."



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Andrew Turnbull Esq
10 Downing Street

21 November 1984

Dear Andrew,

DEDUCTIONS FROM STRIKERS' BENEFIT

As you know, Mr Newton today announced in answer to a PQ the uprating of the £15 deduction from supplementary benefit paid to strikers.

I attach a copy of the PQ and a short briefing note summarising the main points.

I am copying this to Bob Whalley (Lord President's office), Margaret O'Mara (HM Treasury), Judith Rutherford (Department of Employment), John Neilson (Department of Energy), Charles Marshall (Lord Privy Seal's office) and to Alex Galloway (Paymaster General's office).

Yours sincerely,

S H F Hickey

S H F Hickey
Private Secretary

Monday 12 November 1984
Written Answer
Wednesday 21 November 1984

PQ 123/1984/85
Han Ref Vol
Col

SUPPLEMENTARY BENEFIT

W76 Mr Michael Meacher (La. Oldham West):

To ask the Secretary of State for Social Services, what change is to be made after the uprating on 26 November in the amount that is deemed to be paid by a trade union to its members on strike in the course of a dispute, which is then deducted from any supplementary benefit paid to such families.

MR TONY NEWTON

Pursuant to the reply on 12 November. [Official Report vol 67 col 141].

As in previous years the specified sum deducted from benefit in a trade dispute will increase from the uprating date in accordance with the formula set out in Section 6(2) of the Social Security (No 2) Act 1980. The figure produced by that formula this year is £16, and my right hon Friend has accordingly today made an order stating that sum, as he is required to do by the same section. The deduction does not depend on the payment of strike pay. The increase from £15 to £16 will, of course, take place at the same time as supplementary benefit rates themselves are increased by the uprating so that, for example, the rates for an adult dependant will rise by £1, and for an adult dependant and two children under 11 by £1.90.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

3 October 1984

C E Phillips Esq
PS/Minister of State for Social
Security and the Disabled

*2
3/10*

Dear Colin,

The Chancellor has seen your letter of 19 September to David Barclay (only received in this office on 27 September) about the problem of meeting burial costs through supplementary benefit for claimants who are on strike. He has no objection to Mr Newton's proposal.

I am copying this to David Barclay (No.10) and John Neilson (Energy).

Yours sincerely,

Margaret O'Hara

MISS M O'MARA
Private Secretary

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Share Benefits
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10 DOWNING STREET

From the Private Secretary

21 September, 1984

Supplementary Benefit Payments to Strikers

The Prime Minister has seen your letter to David Barclay of 19 September and is content for the regulations to be amended so that burial costs claimed by strikers can be met through supplementary benefit.

I am copying this letter to John Neilson (Department of Energy) and Margaret O'Mara (H.M. Treasury).

ANDREW TURNBULL

Colin Phillips, Esq.,
Department of Health and Social Security

SR



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

David Barclay Esq
Private Secretary
10 Downing Street
London WC1

Prime Minister

There is a powerful case ^{19 September 1984}

for a concession on funeral

Dear David ~~expenses.~~

Content?

Dmb
20/9

Yes ✓

I spoke to you yesterday about the problem of meeting burial costs through supplementary benefit for claimants who were on strike.

As you know strikers do not normally qualify for single payments of supplementary benefit - but there are exceptions written into the legislation to cover urgent need for example for essential fares to visit a partner ill in hospital, or a close relative critically ill or dying, or to pay fares of special transport for a disabled child to get to school. Payment of funeral costs is not one of the exceptions. I attach a Press cutting which describes two such recent cases. Our best estimate is that around five or six cases arise normally each year.

Ministers here would like to change the regulations (which are negative) to allow such burial costs to be met through supplementary benefit - we would, meanwhile, make extra-statutory payments to claimants. (This has already been cleared at official level with Treasury.)

Given the particular sensitivities of these proposals coming forward during the miners' strike perhaps you would let me know if there is any objection to our proceeding along these lines. Copies go to John Neilson (Energy) and Margaret O'Mara (Treasury).

Yours ever,
Colin

C A H PHILLIPS
Private Secretary

Enc.

The Times

No funeral grant for strikers

By Nicholas Timmins
Social Services Correspondent

The families of striking miners are being refused grants to pay for funerals under supplementary benefit rules that came into force three years ago, the Department of Health and Social Security confirmed yesterday.

The decision, which has been applied in at least two cases recently, was bitterly attacked yesterday by Labour MPs.

The families of a 12-year-old mentally handicapped boy and of a 14-year-old boy have both been told they cannot receive supplementary benefit payments towards a basic funeral because the head of family was a striking miner, Mr Michael McGowan, Labour Euro-MP for Leeds, said yesterday.

In one case, a 14-year-old boy from Upton, near Wakefield, died while picking coal out of a spoil tip which collapsed, he said, while at Ferrybridge a 12-year-old physically and mentally handicapped child died from pneumonia. In both cases the families were refused help.

Mr McGowan said: "This is another example of the vicious attack and pressure our mining families are having to face."

A spokesman for the DHSS said that before 1981 funeral payments in such circumstances were discretionary. Since then families where one member was involved in an industrial dispute were not entitled to supplementary benefit single payments, which include funeral expenses.

Local office staff were told to direct families to the local health authority or local authority if a funeral had not been arranged, or to refer them to voluntary organization or charities if funeral arrangements had already been made.

In the village of Upton, where a door-to-door collection has been held to pay for the boy's funeral, Mrs Iris Knight, of the local miners' support group, said the village was disgusted at the ruling. The husband had been on strike for six months and had no money or savings.

H COMMITTEE: INVALIDITY PENSION

Attached is an H paper by the Secretary of State for Social Services about the non-contributory invalidity pension which is available to men and single women on a test of incapacity for work. Married women can qualify for such a pension but only after a test to assess their capacity to do housework. The pension is worth £19.70 a week with increases for dependents.

Changes are needed because legal advice suggests that the household duties test offends against the EC Directive on Equal Treatment in Social Security which comes into force in December 1984. Unless the rules are amended nearly a quarter of a million more people will benefit at an annual cost of £275 million and a staff cost of £250 million. Primary legislation is needed.

Officials have produced six options of which the Secretary of State believes that two are runners.

Option 1: Favoured by the Chief Secretary

This proposes a new benefit payable only to people whose incapacity for work began before the age of 20. This would concentrate help on the priority group those disabled either at birth or before qualification for a contributory pension. It would not discriminate against married women. It would, therefore, disqualify from benefit some 50,000 people who now receive it. Particular examples include multiple sclerosis sufferers. Option 1 would bring savings rising to £25 million after ten years and £50 million after 30 - 40 years together with staff savings of about £50 million.

Option 2: Preferred by the Secretary of State for Social Services.

This proposes a new benefit which would go not only to those

handicapped at birth or in childhood but also to those handicapped later in life provided they are both incapable of work and have an 80% or more disablement. This would exclude some 16,000 married women who would have qualified under the old benefit but would bring in a number who don't now qualify. This option would cost £4 million extra in 1984/85, £15 million in 1985/86 and £22 million in 1986/87, but the extra cost would fall after about ten years. 50 extra staff would be needed at the outset falling after about 10 years.

Mr. Fowler invites H Committee to agree that legislation must be introduced and that it should be along the lines he proposes.

T. FLESHER

19 July, 1983



NBPM

Social Services

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M 22/10

PRIME MINISTER

DEBATE ON THE 5 PER CENT UNEMPLOYMENT BENEFIT ABATEMENT

Since Cabinet yesterday, I have had meetings with the Chancellor of the Exchequer, the Chief Whip and other colleagues. Broadly, there are three options for the debate on Monday.

First, we could stand pat and say that all decisions will be taken at the time of the Budget and implemented in the November 1983 uprating. The Chief Whip advises me, however, that he would not guarantee a majority if this was our position.

Second, we could promise to restore the 5 per cent abatement at the time of the next uprating. This would not satisfy the Opposition, who are asking for "immediate" restoration, but it would unquestionably satisfy our side.

Third, we could attempt some kind of middle position. It is suggested, for example, that we give a commitment that we will restore the abatement by not less than the overshoot which unemployment benefit beneficiaries are receiving as a result of this November's uprating. We would say at the same time that the balance would fall due to be considered at the time of the Budget.

I can see the attractions of this middle course, but I also believe that there are formidable difficulties which we will face if we give such an assurance. The most obvious effect will be that we will then widen the debate to the whole question of adjustment generally. We will have retirement pensioners, war pensioners and invalidity pensioners, for example, all seeking the same kind of assurance. In addition, I am doubtful whether such an assurance would carry those on our side who regard the restoration of the 5 per cent abatement as a matter of the good word of this Government. I myself will be talking to one or two of the people concerned on our side and will be able to tell you better about the position on Monday.

E. R.

However, the point that concerns me is that if we take the middle course we will then be straight into an argument about a 2.5 per cent abatement rather than a 5 per cent abatement, plus a number of other technical and not so technical arguments. As I said at Cabinet, my major concern is that Ministers in handling the original Bill made it quite clear that the 5 per cent abatement would be restored when unemployment benefit came into taxation. The clearest statement of this was by Patrick Jenkin in Committee on 30 April 1980 when he said:

"The hon Gentlemen asked specifically about abated unemployment benefit. That will make no difference, because as the unemployment benefit comes into tax so the rationale for the 5 per cent abatement ends. It is an interim scheme in lieu of taxation. One will give way to the other."

Since then, Ministers have affirmed in both the major debates that have taken place on the abatement that "it will be made good". Ministers have also given the assurance that "the abatement will not be a permanent reduction".

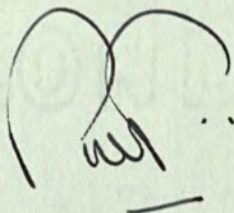
The fact is that the last occasion on which we can make good this abatement in the lifetime of this Parliament will be at the next uprating. Clearly this is a position that will be recognised and my judgment is that during the course of the next few months we shall be forced, whether we like it or not, to announce that we will restore the abatement in full. This may be unwelcome news, but I believe it is the true position.

Given all this, I believe that the choice that colleagues should make is between saying that we will take all the factors into account at the time of the Budget when the uprating is decided, but without giving a guarantee that we will restore the abatement; or saying that at the next uprating we will restore the 5 per cent abatement. From what I have said previously you will recognise that I believe that the best choice would be to give an assurance that we will restore at the next uprating and to extract from the people concerned on our side the strongest possible assurances about future conduct -

E. R.

in particular on the much more difficult and more valuable question of an adjustment generally. We should perhaps remember that the full year cost of restoring the 5 per cent unemployment benefit abatement is just over £50 million while the kind of figure we are talking about for adjustment is in excess of £0.5 billion. Meantime, we are getting back £650 million from taxing unemployment benefit and would get another £15 million or so if we restored the abatement.

I am copying this to the Chancellor of the Exchequer, the Lord President and the Chief Whip, and to Sir Robert Armstrong.

A handwritten signature in black ink, consisting of a large, stylized 'N' and 'F' intertwined, with a horizontal line underneath.

19 November 1982

N F

F.R.

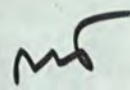
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DRAFT MINUTE TO PRIME MINISTER



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First, we could stand pat and say that all decisions will be taken at the time of the Budget and implemented in the November 1983 uprating. The Chief Whip advises me, however, that he could not guarantee a majority if this was our position.

Second, we could promise to restore the 5 per cent abatement at the time of the next uprating. This would not satisfy the Opposition, who are asking for "immediate" restoration, but it would unquestionably satisfy our side.

Third, we could attempt some kind of middle position. It is suggested, for example, that we give a commitment that we will restore the abatement by not less than the overshoot which unemployment benefit beneficiaries are receiving as a result of this November's uprating. We would say at the same time that the balance would fall due to be considered at the time of the Budget.

I can see the attractions of this middle course, but I also believe that there are formidable difficulties which we will face if we give such an assurance. The most obvious effect will be that we will then widen the debate to the whole question of adjustment generally. We will have retirement pensioners, war pensioners and invalidity pensioners, for example, all seeking the same kind of assurance. In addition, I am doubtful whether such an assurance would carry those on our side who regard the restoration of the 5 per cent abatement as a matter of the good word of this Government. I myself will be talking to one or two of the people concerned on our side and will be able to tell you better about the position on Monday.

However, the point that concerns me is that if we take the middle course we will then be straight into an argument about ^(an estimated 2.3 per cent) abatement, plus a number of other technical and not so technical arguments. As I said at Cabinet, my major concern is that Ministers in handling the original Bill made it quite clear that the 5 per cent abatement would be restored when unemployment benefit came into taxation. The clearest statement of this was by Patrick Jenkin in Committee on 30 April 1980 when he said:

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Since then, Ministers have affirmed in both the major debates that have taken place on the abatement that "it will be made good". Ministers have also given the assurance that "the abatement will not be a permanent reduction".

The fact is that the last occasion on which we can make good this abatement in the lifetime of this Parliament will be at the next uprating. Clearly this is a position that will be recognised and my judgment is that during the course of the next few months we shall be forced, whether we like it or not, to restore the abatement in full. This may be unwelcome news, but I believe it is the true position.

Given all this, I believe that the choice that colleagues should make is between saying that we will take all the factors into account at the time of the Budget when the uprating is decided, but without giving a guarantee that we will restore the abatement; or saying that at the next uprating we will restore the 5 per cent abatement. From what I have said previously you will recognise that I believe that the best choice would be to give an assurance that we will restore at the next uprating and to extract from the people concerned on our side the strongest possible assurances about future conduct - in particular on the much more difficult and more valuable question of a adjustment generally. We should perhaps remember that the full year cost of restoring the 5 per cent unemployment benefit abatement is just over

(£35 million net of tax)

£50 million - although we are now getting £650 million in taxation - while the kind of figure we are talking about for adjustment is in excess of £½ billion.

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10 DOWNING STREET

From the Principal Private Secretary

19 November 1982

Dear David,

ABATEMENT OF UNEMPLOYMENT BENEFIT

Your Secretary of State called on the Prime Minister this evening to report on the discussions which he had had with the Chancellor of the Exchequer and Chief Whip about the tactics to be followed in the debate on the Opposition Motion about the abatement of unemployment benefit on Monday, 22 November. Your Secretary of State said that Ministers had concluded that the option of saying that the unemployment benefit would be higher by some 2½% following this November's uprating and that this over-payment would be maintained was not a viable way of winning support in the House. It would immediately lead to the proposition that if the over-payment to the unemployed was to be maintained, it should also be maintained for the old age pensioners and recipients of other benefits. The choice was therefore between persuading the House to reject the Motion on the grounds that it would be better to keep the options open until the time of the budget or to indicate, directly or indirectly, that the Government would be announcing an uprating in the budget which would restore the 5% in full. The difficulty about the first option, which in your Secretary of State's view distinguished unemployment benefit from the old age pension and other benefits, was that there was an explicit pledge to make good the 5%: the natural interpretation of such a pledge was that it would be fulfilled in the life-time of the Government and, since the 1983 uprating would be the last before the General Election, it was difficult to avoid conceding that the 5% would be restored at that uprating.

The Prime Minister said that she would greatly prefer to hold to the position agreed at the time of the public expenditure discussions, which was that the options should be kept open until the time of the next budget. There was £190 million in a full year (£70 million in 1983/84) available as a contingency margin in the social security programme. This money could not be spent twice. If part of it were committed now it would not be available for other uses, particularly the old age pension. It was essential to get across to those Members of the Government party who wished to commit the Government now to restore the 5% abatement that the money could not be spent twice. Unless they were prepared to accept the implication that a commitment to make good the 5% abatement of unemployment benefit would reduce the amount available for the old age pension, the only remaining

/option

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SUBJECT
cc Master Set

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option would be to increase the employees contribution to the National Insurance Fund.

The conclusion of the discussion was that the Chief Whip should be asked to put the issues squarely to those Members of the party who were known to be hesitating about whether they could vote against the Opposition's Motion. It should be made clear to those Members that if they preferred that the Government now committed itself to making good the 5% unemployment benefit, they were thereby choosing that less funds should be available for the old age pension or other benefits. The Government might have to make clear that Ministers would have preferred to keep this option open until the time of the budget. The Prime Minister asked your Secretary of State to let her know during the weekend what was the outcome of the Whips enquiries, so that in the light of that the line to be taken in the debate could be further considered.

I am copying this letter to John Halliday (Home Office), John Kerr (HM Treasury), David Heyhoe (Lord President's Office), John Gieve (Chief Secretary's Office), and Murdo Maclean (Chief Whip's Office).

Yours sincerely,

Robin Butler

D.J. Clarke, Esq.,
Department of Health and Social Security.

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Main copy filed on
Econ Pol: Inflation Prof Review PH4 J1
Econ. Pol

10 DOWNING STREET

From the Private Secretary

18 November, 1982.

Dear David.

The Prime Minister was grateful for your Secretary of State's minute of 2 November about the follow-up to the Cabinet's decision earlier that day about social security and related matters.

The Prime Minister has decided to set up two Ministerial Groups: one on presentational and other issues in relation to the decisions and legislation required for recovery of pensions over-provision: the second to consider the policy and legislative implications of the proposal to break the existing statutory link between the increases in state retirement pensions and index-linked public service pensions.

The Secretary of the Cabinet will be in touch further with your Secretary of State about the arrangements.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

D.J. Clark, Esq.,
Department of Health and Social Security.

CONFIDENTIAL



Main copy filed in -
Econ Pol : Inflation Proof d pensions
Pt 4

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

SOCIAL SECURITY AND PUBLIC SERVICE PENSIONS

The Prime Minister was grateful for your minute of 15 November, in which you recommended that a Ministerial Group on pensions legislation be set up; and that there should be further consideration later of a further Ministerial Group on social security.

The Prime Minister has commented that presentational and other issues are arising already. She would accordingly like both of these groups to be set up immediately.

The Prime Minister would be grateful if you would put the necessary arrangements in hand.

Mes

18 November 1982

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10 DOWNING STREET

1

Prime Minister

I'm sorry to trouble you yet
again with this.

You decided to set up both
groups of Ministers now; but
thought that the presentation / legislation
group should be ^{not a new group but} an existing
group on presentation chaired by the
Lord President.

Yes not
He has no such group currently.
Agree that a new group as at X
be set up as well as the 'link group'?

MLC 17/11

Ref. AO82/0106

PRIME MINISTER

Social Security and Public Service Pensions

Mr Scholar in his minute of 9th November indicated that you were content with the broad approach to following up the Cabinet's decisions of 2nd November on social security and pensions matters set out in my minute of 8th November (Ref: AO82/0009). I undertook to put forward detailed proposals.

Social security issues

2. On the social security issues the immediate work has now been done. The Government's intention to recover some at least of the over-provision has been announced. On legislation, I understand that the Ministers most closely concerned are agreed that it would not be desirable to include anything about the over-provision in the bill which is to be introduced shortly concerning the National Insurance Surcharge, and that there will have to be a second bill some time next year. The remaining tasks are:

- i. to take final decisions about the extent of recovery of the over-provision and any offsetting improvements in social security benefits;
- ii. to consider the content and timing of legislation required for this purpose;
- iii. to consider the presentation of the final decisions.

3. One option would be to set up a group now to deal with these matters (which might be called the Ministerial Group on Social Security Issues) with the following composition:

- Chairman: Lord President of the Council
- Members: Secretary of State for Social Services
- Chief Secretary, Treasury
- Secretary of State for Employment
- Chancellor of the Duchy of Lancaster

Handwritten notes:
 Lendi group and proposals
 Top Copy filed on Egon P.S. 1/11/82
 Remains P.P.K.
 No. 1 think it would be best to let us make a group as we would like to discuss the proposals with the Prime Minister.
 checks on
 Agree (i) these proposals?
 (ii) this reply to Mr Fowler?
 MS 15/11

The Lord Privy Seal and the Chief Whip would receive the Group's papers and would be invited to attend any meeting at which specific Parliamentary aspects were to be discussed.

4. It now seems unlikely however that such a Group would have much to do in the next two or three months. The Chancellor of the Exchequer will probably want to consider the main decisions of substance in the context of the next Budget, and it would be unusual to discuss decisions of that kind in a Ministerial Group. You may therefore prefer not to set up the Group at present but to keep it in mind as a piece of machinery which may have to be activated around the time of the Budget when the main decisions have been taken and further work is needed on the presentational and legislative implications.

Public service pensions issues

5. The same considerations do not apply to the specific issue of whether to break the existing statutory link between increases in the state retirement pension and index linked public service pensions. It would be desirable to set work in hand now both to consider the policy and the legislative implications in good time before next year's bill dealing with the over-provision. I therefore suggest that you might set up now a Ministerial Group on Pensions Legislation with the following composition:

Chairman: Chancellor of the Exchequer

Members: Home Secretary

Lord Chancellor

Secretary of State for Education and Science

Secretary of State for Defence

Secretary of State for the Environment

Lord President of the Council

Secretary of State for Social Services

Lord Privy Seal

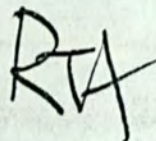
Secretary of State for Employment

Minister of State, Treasury (Mr Hayhoe)

6. The Group is inevitably a large one because the issue affects not only civil service pensions but also those of the police, judiciary, teachers, armed services, local authority employees and National Health Service staff. As it is, the Group may need to bring in from time to time other Ministers such as the Foreign and Commonwealth Secretary, the Secretary of State for Scotland, the English and Scottish Law Officers and some of the nationalised industry sponsoring Ministers. Some Ministers, such as the Home Secretary, may well prefer to be represented by junior Ministers.

7. I also propose that there should be an Official Group with broadly similar membership.

8. If you agree with these proposals I will put the necessary arrangements in hand. I am also attaching a draft Private Secretary reply to the minute of 2nd November from the Secretary of State for Social Services.



ROBERT ARMSTRONG

15th November 1982

DRAFT LETTER FOR PS/NO 10 TO SEND TO PS/SECRETARY OF STATE
FOR SOCIAL SERVICES

The Prime Minister was grateful for your Secretary of State's minute of 2nd November about the follow-up to the Cabinet's decisions earlier that day relating to social security and related matters.

As the immediate issues relating to presentation and legislation have now been resolved by the Ministers most closely concerned, the Prime Minister does not propose to set up a Ministerial Group for this purpose, although she will keep the possibility in mind when further steps have to be taken next year. A Ministerial Group will however be set up to consider the specific issue of the existing statutory link between increases in the state retirement pension and index linked public service pensions.

The Secretary of the Cabinet will be in touch further with your Secretary of State about the arrangements.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).



file

cc: DHSS
LPO
CWO
Ch. Sec. H.M.T.

10 DOWNING STREET

From the Private Secretary

3 November, 1982

Dear John,

Adjustment to the 1983 Pensions and Benefits Uprating

The Prime Minister held a discussion about adjustment to the 1983 pensions and benefits uprating. The Chancellor of the Exchequer, the Lord President of the Council, the Chief Secretary, Social Services Secretary and Chief Whip were also present.

The Prime Minister said that the adjustment which the Chief Secretary and the Secretary of State for Social Services were suggesting should not be described as "claw back" since that carried the implication that money was being taken away from beneficiaries. The fact was that they would be getting their promised money early, and what was proposed was an adjustment to payments in the subsequent year to take account of this. After discussion, it was agreed that no decision should be made immediately about the size of the adjustment to the 1983 uprating. The expenditure figures on which the Chief Secretary and the Secretary of State had agreed would allow either for some mitigation of the adjustment - so as to bring it down to 2 per cent or even below this figure - or for agreement to one or more of a number of social security measures which it might subsequently be judged desirable to introduce. (These were listed in the Chief Secretary's minute to the Prime Minister of 1 November). Once the public expenditure figures were published it would become publicly known that an element of adjustment had been allowed in the social security measures. Since, however, no decision had been taken, no precise figure could be given for this.

It was further agreed that the Treasury's autumn statement should be published on Monday, 8 November and that the Chancellor of the Exchequer should make a statement in the House on that day. This should not be disclosed for the time being. (The Prime Minister and the Chancellor agreed this evening, however,

/that

SECRET

Sue

SECRET

-2-

that this could now be revealed, after Cabinet tomorrow). There would need to be primary legislation to enable the adjustment to the 1983 uprating to be made. This legislation could either be presented to Parliament immediately, and perhaps attached to national insurance legislation which would need to be introduced; or it could be introduced after the Budget. The Prime Minister said that she inclined towards introducing the legislation after the Budget.

I am sending copies of this letter to David Clark (Department of Health and Social Security), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office) and John Gieve (Chief Secretary's Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury

SECRET

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SECRET

1A



Prime Minister (1)

PRIME MINISTER

Agree?

Yes not

Has 2/11

SOCIAL SECURITY COMMITTEE

We discussed at Cabinet today the importance of presenting well the social security decisions for next year, and the Industry Secretary suggested that we set up a small committee. May I suggest that the Lord President might take the Chair, and that the membership might consist of the Industry Secretary, the Chief Secretary, the Agriculture ^{and} Employment Secretary and myself. I think it important that we get down to work very quickly, and the first question we shall need to consider is the handling of the necessary legislation.

I am copying this minute to Sir Robert Armstrong.

2 November 1982

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PRIME MINISTER

For your meeting at 12 o'clock on Monday, you might like to be reminded of the furthest extent to which the Government is committed on recovery of the 5 per cent abatement.

Mr. Rossi said on 18 March:

"My right hon. Friends on the Front Bench have promised to keep this matter under review. We have said that the abatement will not be a permanent reduction.

It is equally clear that the abatement cannot be made good now, but it will be made good. My right hon. Friends have the matter under review. At the right time it will be made good."

And Mr. Hayhoe on 13 May:

"As my hon. Friend knows, we debated the matter at some length on 26 April. I have nothing to add to what I said then, which made it clear that the abatement will not be a permanent reduction. It will be made good at the right time."

/You will

You will also remember that the Government won the crucial amendment to the Finance Bill on 13 July by only 8 votes: 291 to 283. The following Conservatives voted with the Opposition:

Thomas Benyon
Patrick Cormack
Julian Critchley
David Crouch
Stephen Dorrell
Alan Haselhurst
Robert Hicks
~~Denis Howell~~
David Knox
Jim Lester
David Madel
Charles Morrison
Richard Needham
Sir Brandon Rhys Williams
Robin Squire
Peter Tapsell
Cyril Townsend
Sir William van Straubenzee
Dennis Walters

The following signed the amendment, but abstained:

Hugh Dykes
Sir Ian Gilmour
John Hunt

MLS

Kenneth Lewis and Anthony Meyer

29 October 1982

B.R.

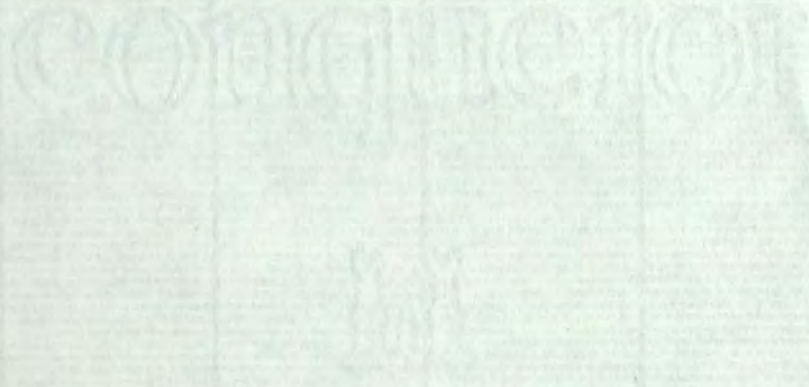
Social Services

5% ABATEMENT

1. Are they really arguing for a 16% increase in unemployment benefit when those in work, who will have to pay for this increase, are settling, many of them, at 6% and less e.g. armed forces 6.1%, civil servants 5.9%, teachers 6%, MPs and Ministers 4% ± or less.

2. The National Insurance Fund deficit last year was just over £1,000m. Through increases in contributions and other charges that deficit has been reduced to an estimated £350m (Government Actuary's Report June 1982). It is not acceptable to increase that by a further £60m

3. Cost of restoring abatement £60m gross which becomes when taxed - £40m net. Compare £30m on Small Engineering Firms Investment Scheme which will do much to secure and safeguard employment.



13 July 1982



Minister of State, Treasury

Mr Schofar

FINANCE BILL CLAUSE 129:
BRIEFING FOR SELECTED MEMBERS

I attach a copy of the background briefing which has been circulated this morning to :-

All members of the Finance Bill Standing Committee,

All members of the Energy Standing Committee,

Peter Thorne

Dick Douglas } Mossburn is in
Willie Hamilton } their constituency

Brian Mawhinney - our PPS.

20 copies have also been made available in each of the Whip's offices (Tory + Labour).

Jim Milner
13 July 82



Treasury Chambers, Parliament Street, SW1P 3AG

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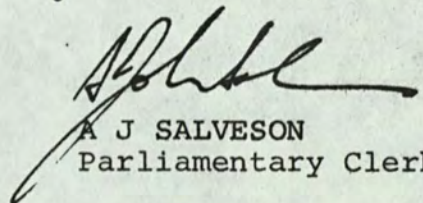
13 July 1982

Dear Member

FINANCE BILL 1982 - REPORT STAGE

The Chancellor of the Exchequer has asked me to let you have the attached background paper on Clause 129 and Schedule 16.

Yours sincerely


A J SALVESON
Parliamentary Clerk

BACKGROUND TO CLAUSE 129 AND SCHEDULE 16

1. Where a deal is at arm's length the Inland Revenue has to accept the actual price determined by the contract as the basis for taxation. Where contracts are under long term price formulae, tax follows the formula, even if other deals in the same commodity take place over the period of the contract at widely differing prices.
2. In the crude oil and naptha markets arm's length deals are made either under spot contracts at prices agreed for each separate delivery or, more commonly, under term contracts where prices are renegotiated at frequent intervals (usually, once a quarter).
3. Arm's length sales of light gases such as ethane are normally by long term contract. These contracts typically incorporate a base price and an escalator which will change the price over the duration of the contract in accord with some published price index (or combination of price indices). The reason for these long term contracts is the need both parties have for a fair degree of certainty when they have to tie up large amounts of capital investment in a single deal, and when alternative dispositions are difficult to make once supply arrangements are fixed.

4. Non-arm's length deals in North Sea hydrocarbons are valued on the basis of the price the particular oil and gas concerned would fetch in an arm's length deal between independent parties. This accords with a principle which is internationally accepted for tax purposes and which is preserved in Clause 129. The existing legislation however prescribes valuation on a current monthly basis. This is appropriate enough for spot or term deals where there is a single price or the price is re-negotiated frequently. But it is less appropriate for the sort of gases where long term pricing formulae are adopted in arm's length deals.

5. What Clause 129 does is to put inter-affiliate deals on all fours with arm's length transactions by enabling them to be valued according to a long term pricing formula provided it is comparable with the sort of formula which would have been agreed in a comparable arm's length deal for the same volumes of ethane, over the same period. It is a measure to preserve the arm's length principle, by ensuring that non-arm's length deals do not face a greater degree of uncertainty on price and valuation than arm's length deals. It does not of course remove all uncertainty on price in relation to an inter-affiliate deal. Some uncertainty is inherent (as it would be in arm's length transaction) both in the future movements of the escalator and in the provisions for review after 5 years. On the other hand, since the clause aims to reflect the position of arm's length deals, it does not, and should not, neutralise any real competitive differences which may arise from the availability of different forms of feedstock.

6. The clause therefore retains the arm's length principle which is the basis of the existing 1975 legislation. What had become anomalous in that legislation is that the way the arm's length test is there defined is inappropriate for ethane and mixed streams which are now becoming available in large quantities.

ICI's REPRESENTATIONS

ICI have suggested that the legislation will provide a hidden subsidy to their integrated oil company competitors

7. For the reasons explained above the Government do not believe that this objection is justified. The essence of Clause 129 and Schedule 16 is the provision for tax valuation purposes of a more accurate arm's length analogue, thus removing an anomaly in the present legislation which discriminates against non-arm's length deals. Ministers do not accept that the legislation will provide a hidden subsidy. They would not have agreed to it if it did. The Inland Revenue/^{are}specifically required to reject an election unless they are satisfied that it meets the arm's length test.

ICI have said that their objections have been largely ignored

8. This is not so. There have been detailed discussions and correspondence with ICI at both official and Ministerial level both preceding Committee Stage and subsequently. The Chancellor has himself seen ICI representatives twice since the Standing Committee debate on the clause. Every effort has been made (within the accepted constraints of Revenue confidentiality) to clarify points of doubt and to give all reasonable reassurances on the principle and operation of the clause. Where the Government and ICI do not agree, the reasons for the view taken by the Government have been fully explained to ICI.

Government proposal to extend to mixed streams

9. The essential justification for including mixed streams of gas of which ethane is the largest component is that, like ethane, they would be sold under long-term contracts with a pricing formula in arm's length deals and their inclusion simply puts similar non-arm's length deals onto a comparable basis.

ICI have suggested that the ethane content of such streams should come within the scope of the clause

10. The Government do not think such a limitation would be justified. It would mean that inter-affiliate deals would be treated on an unfair and discriminatory basis compared with an arm's length deal in such a stream because an arm's length deal would set a price formula covering the whole stream. As the whole point of the tax provision is to ensure inter-affiliate deals are treated as if they were arm's length deals it would be very difficult to defend introducing a deliberate artificiality of this kind. It is true that other components of a mixed stream can include LPGs (propane and butane) but the clause requires that of three possible components - methane, ethane, and LPGs - ethane must be the largest component by volume. The valuation of such a stream would need to reflect the LPG content and would not be solely based upon ethane as ICI has suggested.

Specific requirement to have regard to fuel value

11. ICI has suggested that the clause does not require the fuel value of ethane to be taken into account. In fact the requirement (paragraph 2(1) of Schedule 16) that the price formula should not differ materially from what would be agreed in an arm's length contract achieves this. No company at arm's length would sell to a petrochemical firm for a price below what it could secure from a fuel purchaser. An amendment at Committee Stage made this even more explicit

by putting it beyond doubt that the arm's length contract with which comparison is made could be one for fuel use.

12. ICI has argued for a specific link with heavy fuel oil value in valuing ethane as a bulk fuel. Ministers are advised that there is no simple marker price of this sort for fuel use which can be adopted consistently with the arm's length principle. Gas pricing is a complex matter and depends on all the circumstances surrounding a deal including the volume and specification of the gas and the timing. The suggestion that a floor price should be written into the legislation would once again depart from the arm's length principle.

Annual Reviews

13. The re-opener provision (paragraph 6 of the Schedule) provides for review five years after first delivery and is designed as a rough proxy for the sort of hardship clause found in arm's length contracts and the sort of re-negotiations which go on where a substantial and lasting change in economic circumstances renders a price formula unrealistic. Arm's length deals would not necessarily fix the re-opener period at five years. Indeed some long-term contracts have no re-opener at all. Five years is in the Government's view a reasonable balance to have struck. Annual reviews as suggested by ICI (as opposed to regular and frequent alterations to the price under the escalator) would be inconsistent with arm's length analogues and would continue the existing tax anomaly (albeit in a slightly modified form). It is also important to bear in mind that the provision does not provide total certainty for 15 years or indeed for any other period. Apart from the re-opener, the formula itself will undoubtedly include an escalator clause (as any similar arm's length contract would). The price is not therefore a fixed one but one which is regularly and realistically varied in line with some published indicator (which might in a petrochemical context be the cost of rival feedstocks).

Overcapacity

14. The Government recognises that the petrochemicals industry is going through a difficult period and the arrival of ethane on the scene, whether from the North Sea or the Middle East, will clearly cause problems for naphtha based crackers. Clearly no-one can guarantee the long term future of any particular plant in a rapidly changing world. ICI accepts that ethane based crackers are likely to have a natural advantage over naphtha based ones. On the other hand, ethane crackers cannot take over completely from naphtha crackers since they do not make all the petrochemical products which can be produced from naphtha. Efficient crackers such as ICI's cracker at Wilton should be well able to stand up against the competition. If it were at risk it will not be because of Mossmorran alone (which will add under 5% to forecast ethylene capacity in Western Europe by 1985) and still less to Clause 129 which removes an anomaly and is not a subsidy. It would be wrong to use an anomaly in our tax system to protect naphtha based plant against the inevitable competition from ethane based plant. In the long run this could only prejudice the UK petrochemical industry as a whole. Indeed we understand that ICI accept that the present law contains an anomaly but differ on the way it should be rectified.

Postponement of legislation

15. ICI has suggested that there is no need for legislation this year. Ministers recognise that projects likely to be affected by this legislation do not come on stream for some time. But the legislation is needed now if the companies concerned are to be given the same degree of relative certainty as those dealing at arm's length. They need this before committing themselves to very substantial capital expenditure. If the provision is not enacted this year and there was the prospect of substantial changes, projects could as a result be put in jeopardy. In these circumstances Government do not think that they would be justified in deferring action to rectify a clearly identified tax anomaly.

Treaty of Rome

16. ICI have suggested that Clause 129 is covered by Article 92 of the Treaty of Rome as constituting a state aid to industry and have recently initiated legal action for a declaration to this effect. This is now a matter for the Courts to decide and it would be wrong to prejudge the outcome. But the Government's advice is, quite apart from the general question of whether Article 92 is apt to cover direct tax measures at all, that this clause is not a state aid since it does no more than put inter-affiliate deals on all fours with arm's length deals for tax purposes, and in so doing follows the internationally accepted principle of arm's length valuation.



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 July 1982

Michael Scholar Esq
No.10 Downing Street

Dear Michael,

BRIEFING FOR GOVERNMENT WHIP ON THE 5 PER CENT ABATEMENT

I attach briefing on the reasons for resisting the 5% abatement of unemployment benefit which has been made available to the Government Whips for drawing on as needed.

I am copying this to David Clark and Tim Elms in DHSS.

*Yours ever,
Peter*

P S JENKINS

5% ABATEMENT OF UNEMPLOYMENT BENEFIT

Background

November 1980 proposal of 5% abatement was not only

- for (rough) justice between those in and out of work before benefits could be taxed; but also
- to help the why work/unemployment trap; and
- to save money. Restoration now would cost £20m in '82/3, £60m (full year) gross of tax which, when levied, would reduce figures by 1/3rd.

Though benefits for the unemployed came into tax this month, the other two objectives remain valid.

Restoring the 5% would provoke pressure to restore abatement of incapacity benefits (invalidity, sickness and injury benefits, maternity allowance) which cannot be taxed for the foreseeable future: cost £24m this year, £70m in a full year.

2. A fair deal, given resources available

- Compared with April '79, and taking Budget red book GDP and price forecasts, UB in November '82 with abatement will be 2% lower in real terms - but so will real GDP. More important perhaps, money UB has risen as fast as money GDP since the Government came to power. [N.B. Beware undue precision - different versions of this comparison give slightly different answers.]
- One must also look at relation between earnings of those in and out of work this year. Underlying earnings increase this wage round should be some 9%. When next round begins this autumn it should be substantially lower. But even with abatement, money UB will increase by 11% in November 1982. Both on grounds of equity and incentives this makes it inappropriate to restore abatement now.
- There have been and remain many other claims on Government revenue and Social Security funds in particular, which demonstrate danger of looking to the seemingly large (£650m) revenue from move to taxing benefits as a way of funding removal of abatement. In particular:

- (1) Restoring the 2% shortfall in November '81 uprating - £515m.
- (2) Higher-than-forecast spending (very largely statutorily and demand determined) on Social Security this year - over £300m. This has become apparent since March 1982.

[N.B. Figures not yet announced and to be used judiciously.]

Wrong to hypothecate money from taxing benefits in principle

- but this shows that even if one did, that extra revenue is already more than accounted for.

3. Who are affected?

- Three quarters or so of unemployed not affected at all by abatement. Typically they will get SB on top of UB and their total receipts will not change.
- The majority of the remaining quarter will be single and married men without children, dependent on UB alone. Rest, mainly married women, likely to have other family income.
- Such people if dependent on UB through a year will not be taxed, as its level is below income tax threshold.

4. Labour market effects important

- Many of those affected by proposal are unskilled and likely to have low earnings, not greatly different from UB level for a married couple of £57.80 from November '82.
- Impact of UB on those at low end of labour market significant both for individuals and general atmosphere. Benefit levels and minimum pay (e.g. Wage Councils) between them help create a floor which tends to sustain excessive levels of real wages and thereby increase unemployment.

Unemployment benefit compared to GDP over time - at current pricesComparisons from April 1979

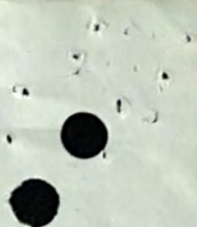
	<u>April 1979</u>	<u>November 1981</u>	<u>November 1982</u>
A Unemployment Benefit	100	143	159
GDP at factor Cost	100	137	151

Comparisons from November 1979

	<u>November 1979</u>	<u>November 1981</u>	<u>November 1982</u>
B Unemployment Benefit	100	122	135
GDP at factor Cost	100	122	135

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Clause 30

Amendment	Page	Line
57	26	43

Mr Jim Lester	(Beeston - Con)
Mr Richard Needham	(Chippenham - Con)
Mr David Crouch	(Canterbury - Con)
Mr Robert Hicks	(Bodmin - Con)
Mr Patrick Cormack	(Staffordshire SW - Con)
Mr Charles Morrison	(Devizes - Con)
Mr Tom Benyon	(Abingdon - Con)
Mr Julian Critchley	(Aldershot - Con)
Mr David Madel	(S Bedford - Con)
Sir Ian Gilmour	(Chesham and Amersham - Con)
Mr Robin Squire	(Hornchurch - Con)
Mr David Knox	(Leek - Con)
Mr Cyril D Townsend	(Bexleyheath - Con)
Mr Alan Haselhurst	(Saffron Walden - Con)
Mr Stephen Dorrell	(Loughborough - Con)
Mr Hugh Dykes	(Harrow E - Con)
Mr John Hunt	(Bromley Ravensbourne - Con)
Mr Dennis Walters	(Westbury - Con)
Sir Anthony Meyer	(Flint, W - Con)
Sir William van Straubenzee	(Wokingham - Con)
Sir Brandon Rhys Williams	(Kensington - Con)
Mr Kenneth Lewis	(Rutland and Stamford - Con)

Clause 30, page 26, line 43 at end insert 'but this section shall cease to have effect as from 22nd November 1982 unless or before that date the five per cent. abatement of the adult rates of unemployment benefit, made under section 1 of the Social Security (No. 2) Act 1980, is made good.'

 PURPOSE OF THE AMENDMENT

Resist

Cost: see Paragraph 9 below

1. The effect of the amendment is to provide that the taxation of benefits paid to the unemployed and to strikers will lapse at the date of the social security uprating next November, unless the five per cent abatement of unemployment benefit is then restored.

BOARD OF INLAND REVENUE

2. The Government's stated position is that it cannot make further resources available to restore the abatement at present, but an undertaking has been given to keep the abatement under review, and to restore it at the right time.

NOTES FOR USE IN DEBATE

3. The Government cannot accept this amendment. The abatement of unemployment benefit has been extensively discussed in this House and this is not the time to go over the same ground yet again. I therefore propose to state as clearly and briefly as possible the Government's position on this issue.

4. From the outset it was made clear that the decision to abate unemployment benefit was not taken solely as a proxy for taxation, but was part of a public expenditure savings package, and as being likely to improve work incentives; the Chancellor's Budget Statement in March 1980 was the first of many statements along these lines. We did undertake to review the abatement when unemployment benefit was brought into tax. We have done this. We have decided that further resources cannot be made available to restore the abatement; this Government and Party is committed to reducing public expenditure, and restoring the abatement would cost £60 million in a full year. We are making good the 2 per cent shortfall in the last uprating. This applies to all benefits whether or not we are pledged to preserve their value, including unemployment benefit which we are not pledged to protect. The total cost will be £515 million in a full year.

5. Department of Health and Social Security and Treasury Ministers have made clear that the question of the abatement will be kept under review, and, when circumstances allow, the claim will be considered along with other priorities for the available money.

6. The effect of this abatement would be either to restore the abatement or to prevent the taxation of benefits paid to the unemployed from next November. For the reasons I have given, we do not intend to restore the abatement at this point. So far as taxation is concerned, we have had considerable debate on the principle of taxing unemployment benefit

BOARD OF INLAND REVENUE

and supplementary benefit paid to the unemployed, and this House has given its approval to that principle. I do not think it would be right now to stand in the way of that.

/BACKGROUND NOTE

BOARD OF INLAND REVENUE

BACKGROUND NOTE

7. This note is based on the Committee Stage note on a similar amendment, drafted by SS Division and agreed with the Department of Health and Social Security.
8. Attached* as background is the briefing prepared for a recent Parliamentary Question on this topic. Also attached* is a copy of the winding up speech by the Minister of State (Civil Service) in the Finance Bill Committee Stage debate [Hansard, 26 April 1982, Cols 657-661].
9. Cost. The amendment would imply either restoring the 5 per cent abatement of unemployment benefit (public expenditure cost of £m20 in 1982/83 and £m60 in a full year); or halting the taxation of benefits paid to the unemployed from November 1982 (revenue cost of some £m180 in 1982/83 and £m650 in a full year - but see paragraph 16 below).
10. Staff costs: the staff costs of restoring the abatement of unemployment benefit are not easy to calculate precisely, but would be likely to fall in the range 50-100 units.
11. Taxable amount of supplementary benefit. If abatement were restored, this would have an implication (of which Ministers need to be aware) for the taxable amount of supplementary benefit. As the legislation stands, supplementary benefit is taxable up to the standard rate of unemployment benefit. At present, the unemployment benefit rate (£22.50 for a single person) is below the personal rate of supplementary benefit (£23.25).
12. If the abatement of unemployment benefit is restored, the position will be reversed, and unemployment benefit will go above the supplementary benefit level. If supplementary benefit continues to be taxed up to the unemployment benefit rate, this will mean that in some cases additions to supplementary benefit (eg child additions) will to a small extent be brought into tax. Ministers originally said that these additions to benefit would not be taxed.

*Ministers' copies only.

BOARD OF INLAND REVENUE

13. If abatement were restored in November 1982, this effect could not be prevented, because the Department of Health and Social Security would be unable in the time available to make the necessary alterations to the computer programs for taxing the benefits; and in any event to obviate it would require Finance Bill legislation. We do not see any real need for Ministers to draw attention to this point now. We suggest that, if the point is raised, (though we think it unlikely that it will be) Ministers should say that they are aware of it and are giving it consideration.

14. Variations in estimates of yield.
Mr Cook in the debate on Clause 29 on 26 April compared a yield figure of £m240 last year with a figure of £m650 this year. The figure of £m240 (quoted on 11 May 1981 by the then Financial Secretary) was for the yield from taxing unemployment benefit alone; not both unemployment benefit and supplementary benefit paid to the unemployed. The estimate for the latter figure stood at the time at £m370. It was subsequently increased (by March 1982) to £m550. The increase from £m550 to £m650 is explained simply by the difference between 1981/82 and 1982/83 levels of unemployment, income, benefit and tax thresholds.

15. The increase which needs explaining is that from £m370 in May 1981 to £m550 in March 1982. It is attributable to a refinement in the estimate of unemployed people's earnings in previous employment; an increase in the estimate of the proportion of unemployed people entitled to unemployment benefit; and changes in the estimates of the distribution of lengths of spell of unemployment.

16. However, Ministers will want to know that we are currently reviewing our estimates of the yield of taxing benefits paid to the unemployed, and it is likely that the yield figures will be reduced (perhaps fairly substantially). The changes stem mainly from revised estimates from the Government Actuary's Department and the Department of Health and Social Security of the amounts of unemployment benefit and taxable supplementary benefit paid to the unemployed. The review is not yet complete. Until it is, we suggest that the current estimates of the various yields should stand.

BOARD OF INLAND REVENUE

17. Drafting. We have consulted Parliamentary Counsel about the technical merits of this amendment. Their view is that it is inexpertly drafted, but that in all probability it would actually achieve its purpose, if carried. (However, the version of the amendment printed on the 7 July marshalled list contained a printing confusion.)

ORAL

THURSDAY 17 JUNE 1982

La - Walsall North

MR DAVID WINNICK: To ask Mr Chancellor of the Exchequer, what proportion of the 1½ million unemployed who are not likely to be liable to incur tax because of low income are: (a) men and (b) women.

DRAFT REPLY

About 80% and 20% respectively.

/NOTES FOR SUPPLEMENTARIES

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R A BLYTHE
POLICY DIVISION 1
9 June 1982

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NOTES FOR SUPPLEMENTARIES

PEOPLE NOT LIKELY TO PAY TAX ARE BEING CHEATED BY 5 PER CENT ABATEMENT OF UNEMPLOYMENT BENEFIT?

No, sir. The hon Gentleman makes the assumption that the abatement of unemployment benefit was made solely as a proxy for taxation. This is not so. It was done also to reduce public expenditure and to improve work incentives. The Chancellor's Budget Statement in March 1980 made that clear.

WHY NOT RESTORE ABATEMENT OF UNEMPLOYMENT BENEFIT WHEN IT IS TAXED IN JULY?

[Answer on lines of reply to previous supplementary.]

MINISTERS HAVE PROMISED ABATEMENT OF UNEMPLOYMENT BENEFIT WOULD END WHEN IT IS TAXED?

This is not so. We have given a firm commitment to restore the abatement of Invalidity Pension when it is brought into tax, and, as a token of our commitment to this, the abatement of Invalidity Allowance was restored at the last benefit uprating. But we have given no similar commitment to restore the abatement of unemployment benefit, which was abated at the same time. We undertook only to consider the position when it was brought into tax. For unemployment benefit we have now done this. The position is the same for the other short term benefits - maternity allowance, and sickness and injury benefit.

BUT MINISTER OF STATE FOR SOCIAL SECURITY HAS SAID ABATEMENT WILL BE MADE GOOD?

(Mr Rossi said - during the Report Stage of the Social Security and Housing Benefits Bill on 18 March - "We have said the abatement will not be a permanent reduction. It is equally clear that the

abatement cannot be made good now, but it will be made good. My rt hon Friends have the matter under review. At the right time it will be made good.".)

We have given an undertaking to keep the matter under review. Having already decided to restore the 2 per cent shortfall on benefits, including unemployment benefit, we cannot afford to do more in the current economic circumstances. When circumstances allow we will consider this claim along with other priorities for the available money.

COST OF RESTORING ABATEMENT OF UNEMPLOYMENT BENEFIT?

£m20 in 1982-83 and £m60 in full year.

TAX YIELD FROM BENEFITS PAID TO THE UNEMPLOYED?

<u>For 1982-83:</u>	unemployment benefit	£m265
	supplementary benefit paid to the unemployed	£m110
		<hr/>
	total	£m375
		<hr/>
<u>Full year:</u>	unemployment benefit	£m460
	supplementary benefit paid to the unemployed	£m190
		<hr/>
	total	£m650
		<hr/>

WHY HAVE TAX YIELD FIGURES GONE UP SO SUBSTANTIALLY FROM LAST YEAR'S ESTIMATES?

The figure of £m240 quoted last year was for unemployment benefit only, and was based on 1981-82 assumptions. The most recent figure of £m650 is for unemployment benefit and supplementary benefit paid to the unemployed; and is based on 1982-83 assumptions. The figures have also increased because of improved statistical methods and revisions to the data on which they are based.

COST OF RESTORING ABATEMENT COULD BE MET FROM REVENUE FROM TAXING BENEFIT?

Making such a comparison does not alter the public expenditure cost of restoring abatement. We are, in any case, spending an additional £700 million on benefits to the unemployed in 1982-83. Bringing benefit into account for tax purposes has enabled us to contain the tax burden on the rest of the working population.

GOVERNMENT CAN AFFORD TO RESTORE THE ABATEMENT OUT OF THE £2 BILLION WINDFALL ON LAST YEAR'S PSBR?

This sort of suggestion does not alter the public expenditure cost of restoring abatement. In any case, the very welcome PSBR outturn for 1981-82 of £2 billion below forecast was within the margin of error for such forecasts; clearly there can be no presumption that the same will happen in 1982-83 and later years. When circumstances allow we will (as I have already said) consider the claim, on its merits, along with other priorities for any available money.

WHEN WILL OTHER ABATED BENEFITS (INVALIDITY, SICKNESS AND INJURY BENEFIT AND MATERNITY ALLOWANCE) BE TAXED?

We regard these income replacement benefits, such as invalidity benefit, as taxable in principle. But no date for bringing them into tax has yet been fixed.

COST OF RESTORING ABATEMENT OF THESE OTHER ABATED BENEFITS?

We are committed to restoring the abatement of Invalidity Benefit when it is brought into tax. To restore the abatement of this benefit this November would result in a net cost, after allowing for savings in payment of supplementary benefit, of around £m18 in 1982-83, £m50 in a full year. To restore the abatement of the remaining benefits (sickness benefit, maternity allowance and injury benefit) would add around £m40 in a full year to that cost - £m20 once the Statutory Sick Pay Scheme is implemented.

UNFAIR TO REDUCE STANDARD OF LIVING OF UNEMPLOYED BY TAXING BENEFIT?

Taxing benefits paid to the unemployed is a matter of fairness. It is only right that a person with an income of £4,000 wholly from earnings should pay the same amount of tax as a person with an income of £4,000 partly from earnings and partly from benefit. The principle is supported by hon Members on both sides of the House. The rt hon Member for Ashton-under-Lyne has said (of taxing unemployment benefit): "I think that everyone who has ever been concerned with these problems has agreed with it.". (Standing Committee D, 23 June 1977, c.1182)

WILL PROCEDURES FOR TAXATION MEAN ANY DELAY IN PAYMENT OF BENEFIT TO CLAIMANTS?

No sir, The procedures for bringing these benefits into tax relate closely to the procedures for payment of benefit, but payment will not be in any way delayed by them.

WILL TAXING BENEFITS PUSH MORE UNEMPLOYED PEOPLE ONTO SUPPLEMENTARY BENEFIT?

No, sir. Benefits to unemployed people will continue to be paid gross. Tax refunds are being withheld from the unemployed, but they are not taken into account in calculating an unemployed person's entitlement to benefit. Taxation will therefore not lead to extra supplementary benefit payments to the unemployed. [NOTE: the same cannot be said of strikers, and comment on their position is best avoided.]

WHY WITHHOLD TAX REFUNDS FROM THE UNEMPLOYED?

It would not make sense to pay refunds to a person during unemployment while at the same time a tax liability was accruing because he was receiving benefit. He would only have to settle that liability when he returned to work. A person's whole tax

position will therefore be "frozen" while he is out of work, his taxable benefit being set against the tax allowances accruing to him during unemployment.

REAL VALUE OF UNEMPLOYMENT BENEFIT HAS FALLEN?

Abolition of earnings related supplement, the 5 per cent abatement and the decision to phase out child dependency additions to unemployed benefit (in which we are following the practice adopted by the last Labour Government) has reduced the value of unemployment benefit. For those in genuine need, however, Supplementary Benefit provides a safety net.

/BACKGROUND NOTE

BACKGROUND NOTE

Purpose of Question

1. The point of Mr Winnick's Question probably relates to the 5 per cent abatement of unemployment benefit. In the debate on Clause 29 of the Finance Bill on 26 April 1982 he said: "Many unemployed people will not pay income tax because, despite what the Government are doing, their incomes will remain insufficient. Yet they will remain penalised as a result of the 5 per cent reduction.". Mr Winnick's point is based on the premise that abatement was introduced wholly as a proxy for taxation. The answer is that it was not.
2. Copies of the reply to a previous Question on this topic by Mr Winnick, and of the exchange on a related Oral Question on 13 May, are attached.

The figures

3. As the level of taxable benefit is below the tax threshold, a person who is unemployed for the whole tax year will not normally incur liability to tax. However - in a full year - earnings from relatively few weeks of work, in combination with taxable benefits during a period of unemployment, would render and individual liable to tax.
4. DHSS estimate that, in a full year at 1982/83 levels of unemployment, about 5.75 million people would receive unemployment benefit and/or supplementary benefit while unemployed. This figure of 5.75 million is uncertain because DHSS have had to translate information on individual spells of unemployment into numbers of people.
5. Of these 5¾ million beneficiaries it is estimated from data supplied by the Manpower Services Commission (MSC) that

1½ million would be unemployed for all, or nearly all, the tax year and as a result their total taxable income (including benefits) would be below the level of their tax allowances.

6. MSC also estimate that 20 per cent of these 1½ million long term cases are women.

Unemployment Benefit

11. **Mr. Campbell-Savours** asked the Chancellor of the Exchequer what further representations he has received on the taxation of unemployment benefit.

Mr. Hayhoe: We continue to receive a number of letters on this topic, expressing a variety of different views.

Mr. Campbell-Savours: Is it not a disgrace that the Government intend to press on with the taxation of unemployment benefit when in the previous Budget they gave £260 million back to the better-off and privileged in society in the form of capital gains tax and capital transfer tax concessions? Does not that reinforce the view of many people that the Government wish to promote a divided nation—a two nation society?

Mr. Hayhoe: It is right that we should press ahead with the proposals to tax unemployment benefit.

"But I think that everyone who has ever been concerned with these problems has agreed with it."—[*Official Report, Standing Committee D*; 23 June 1977, c. 1182.]

I am quoting the right hon. Member for Ashton-under-Lyne (Mr. Sheldon).

Mr. Peter Bottomley: Does my hon. Friend accept that the major issue is whether £650 million coming into the Exchequer in taxation should be balanced by returning the £60 million that has been taken in the abatement? Can he tell us whether the Government would prefer the House to drop the taxation proposals at a cost of £650 million or whether the Government will restore the £60 million, which is obviously of more benefit to the national exchequer?

Mr. Hayhoe: As my hon. Friend knows, we debated the matter at some length on 26 April. I have nothing to add to what I said then, which made it clear that the abatement will not be a permanent reduction. It will be made good at the right time.

Mr. Robert Sheldon: Is not the main point that the Government introduced an abatement on the promise that it would be restored when the taxation of unemployment benefit was introduced? They have ratted on that promise. It is all very well postponing the matter to some future date, but the time to have restored the abatement was when taxation of unemployment benefit was introduced.

Mr. Hayhoe: I repudiate the suggestion that a promise has been ratted upon. Anyone who examines the record will know that that is not true.

Unemployed Persons (Income Tax)

29. **Mr. Winnick** asked the Chancellor of the Exchequer what is his estimate of the number of unemployed persons who are not likely to be liable to income tax because of their low income.

Mr. Ridley: About 1¼ million in a full year at 1982-83 levels.

[Mr. Derek Foster]

responsibility to provide proper income support for those unfortunates who find themselves unemployed as a result of the Government's policy, or for any reason.

My hon. Friend the Member for Workington was right when he said that whatever policies are pursued, by whichever Government, in the next five to seven years, they will result in a long period of high unemployment. Even if the Labour Party were returned to office tomorrow and implemented with great vigour its radical strategy for reducing unemployment, and even if we were successful in bringing unemployment down to below 1 million within the lifetime of a Parliament, we are still talking about excessively high unemployment until about 1989 or 1990.

7.15 pm

What can we do about the unemployed in the interim period? We cannot just leave them abandoned or impose this suffering on them without giving them any relief. Do not Ministers believe that there is a moral responsibility to be fair and just to the unemployed? We can look at the problem by saying that the unemployed are doing us a service. If they were not unemployed, others in our society would have to be. Those others may well be hon. Members here today.

There is a moral responsibility to do something about unemployment in this interim period. There are many measures that are necessary and the amendment is only one of them. It is puzzling why the Government are digging in their heels so firmly on this small matter. The cost of implementing it would be small in relation to the money that the Government will get in taxation. I hope that there will be a detailed explanation of why they cannot agree to the amendment.

The long-term unemployed suffer most as the result of unemployment. I wonder how many people in the Chamber have any concept of how worrying and distressing it is not to know how one can pay the gas or electricity bill or the rent., or how to send the children to school properly clothed and with a proper breakfast inside them. Those are problems that people in our society wrestle with day after day. Many mothers are being driven to distraction because of these problems.

We can discuss these matters in a sophisticated way and invent a whole range of complicated and convoluted arguments on sophisticated points, but when it comes down to it, there are people going through the most difficult period of suffering that they have ever experienced.

Here is an opportunity for the House to make life a little bit better for some of our people. I do not know why Conservative Members will not come into the Lobby to support the amendment and make life a little more tolerable for many of our people.

Mr. Hayhoe: The clause to which the amendment relates, is concerned with the postponement by three months of the taxation of unemployment benefit. That was a decision of the House some time ago. I congratulate the drafters of the amendment on their ingenuity in getting in order an amendment that would give an opportunity for a further debate about the 5 per cent. abatement of unemployment benefit, and a rerun of the debate of 18 March to which much reference has been made already.

A number of hon. Members on both sides of the House have referred to the timing of the debate. Some of my hon.

Friends have suggested that a bad time has been chosen by the Opposition, and that it would have been better to wait. On the other hand, the hon. Member for Stockport, North (Mr. Bennett) thought that it was right to seek to achieve the amendment today and, if not today, to try again. However, the timing of the debate is not a matter for me. We have had a repetition of what has been heard before.

The hon. Member for Edinburgh, Central (Mr. Cook) at least referred to the substance of the clause when he spoke about the postponement and asked whether there would be sufficient time to introduce the taxation of unemployment benefit by July on the sensible presumption that the amendment would be defeated. I am advised that the staff will be ready to operate these new provisions by July.

The hon. Gentleman asked whether a mistake in putting the taxation information onto the unemployment benefit office computer could lead to delay in the payment of benefit to an unemployed person. I can assure him that that sort of delay will not occur.

The hon. Gentleman referred to the yield estimates—the figures associated with both the amendment and with the taxation of unemployment benefit. I can confirm to him that the yield from the taxation of unemployment and supplementary benefit in a full year will be £650 million and that the cost of restoring the 5 per cent. abatement in a full year would be £60 million.

Reference was made by the hon. Member for Edinburgh, Central and by my right hon. Friend the Member for Chesham and Amersham (Sir I. Gilmour) to the public sector borrowing requirement and the recent welcome news that in 1981-82 the latest figures are showing that it is £2 billion less than was estimated only some weeks ago. Right hon. and hon. Members who understand these matters will know that when we talk about the PSBR we are talking of the difference between two very substantial sums of well over £100 billion. At this stage of the succeeding financial year it is not possible to determine the results exactly. That being so there is this difference between the two levels—there have been fewer payments out and more payments in than expected. The full explanation of the £2 billion has been given.

It is suggested that in some way this statistical exercise concerned with the figures for the past financial year could influence the decisions which are to be taken today about the taxation of unemployment benefit and the restoration of the abatement. However, they have no relation to the PSBR of last year. These decisions have been made in the context of public expenditure and revenue-raising this year.

I was asked by the hon. Member for Edinburgh, Central whether the Government were committed to making good the abatement of 5 per cent. when unemployment benefit came into taxation, and whether certain eventualities did not flow from it. He seemed to ignore whether the making of the commitment was central to the issue. I shall return to that, but first I want to deploy the argument as to whether the Government are committed to the proposal.

Mr. Cook: I felicitate the Minister on having accepted the argument about the unreliability of the PSBR which has been put forward by critics of the Government's strategy over the past three years. The statement that he has just made will be of great importance to us in future debates on economic strategy. But I return to one of the questions that I put to him earlier. The Minister has just

confirmed that the expected yield from the taxation of unemployment benefit is £650 million. Will he explain how the expected yield this year is £650 million when last year the Committee on the 1981 Finance Bill was told that the expected yield was only £240 million?

Mr. Hayhoe: I am unable to give the hon. Gentleman that information immediately, but my understanding is that to the extent that the margins of error affect the PSBR, they are published in available texts and that anyone who follows these matters closely appreciates that these margins exist. If the hon. Gentleman thinks that I have said something new, he is singularly ill-informed about the normal basis of the financial statistics provided by successive Governments.

The hon. Member for Stockport, North raised a number of matters about the effect on supplementary benefit levels. He suggested that taxing benefit might push a claimant below the supplementary benefit level and make him entitled to it. That is not so, because the method of taxing benefit is such that tax will not be deducted from the benefit as it is being paid. The benefit will continue to be paid gross. Taxation will not in any case take a person below the needs level of supplementary benefit.

Mr. Andrew F. Bennett: At present, if someone gets a tax refund, that is taken into account in calculating supplementary benefit. Since no tax refunds will be paid until the end of the year, those amounts will not be taken into account, which should mean that more people will be entitled to supplementary benefit. Will the hon. Gentleman confirm that that is the position?

Mr. Hayhoe: A comparison between refunds which might be made at present and those which might be made in future could have some influence. Perhaps I may be allowed to look into that aspect of the matter.

The hon. Member for Stockport, North also wanted to know whether a delay in producing a P45 form would cause any hold-up in the payment of benefit. I am advised that it will not.

My hon. Friend the Member for Chippenham (Mr. Needham) spoke of the 5 per cent. abatement applying to unemployment and supplementary benefit for the unemployed. I can assure him that the abatement does not apply to supplementary benefit. That remains available as a safety net in cases where hardship may otherwise be involved.

I was grateful to my hon. Friend the Member for Bath (Mr. Patten) for his gracious comments. I am sure that he was, as always, trying to be helpful. He referred, as did other hon. Members, to statements made by my right hon. Friend who is now the Secretary of State for Industry during the debates on the Social Security (No. 2) Bill. We heard many quotations from what was said in a very long debate, though most attention was concentrated on the remarks made by my right hon. Friend at about 1.25 in the morning of 30 April-1 May.

It distorts the sense of that debate to suggest that the words used by my right hon. Friend at that early hour of the morning changed what he had been saying throughout the rest of the debate. If my right hon. Friend had made a new and highly important statement, it is remarkable that members of the Committee, who voted only a few minutes later, did not realise that it had happened. The hon. Member for Stockport, North was present. He did not refer to it. The hon. Member for Birmingham, Perry Barr (Mr.

Rooker) is very lyrical about these matters. Why did not he refer to it? He is not the sort of hon. Member who is slow in coming forward if he thinks that he has won a victory.

Mr. Rooker: I did not refer to it at the time for the very same reason that I did not refer to the unqualified commitment to restore the 5 per cent. on injury benefit given by the Minister for Social Security in Committee a few weeks ago on the Social Security and Housing Benefits Bill. I accepted it at face value, as other hon. Members did.

7.30 pm

Mr. Hayhoe: "At face value" was in the context of all the other Minister's statements during the course of a long debate which made it perfectly clear that he was not entering into a specific commitment linking the ending of that rebate with the bringing in of the taxation of unemployment benefit. Those people who argue that case should look back over the long series of comments made by my right hon. Friend in that debate. The point was raised during the debate on the Social Security and Housing Benefits Report stage. None of my hon. Friends—whose strong feelings on these matters I appreciate—suggested that my right hon. Friend had sought to deceive the Committee. Nobody questioned his integrity. I hope that his integrity will not be questioned now. He has made it clear that he was not changing ground in the early hours of the morning. Therefore, the words that he had used consistently earlier in the day do not have the meaning which has been linked with them. Those are the words which stand.

Mr. Chris Patten: May I try once again this evening to be helpful to my hon. Friend? For the time being, I am prepared to concede that "temporary" and "interim" mean "permanent". Will my hon. Friend turn to the nub of the question, which is whether it is right to double tax the severely disadvantaged group. That is the point mentioned by the Social Security Advisory Committee. That is the real point at issue.

Mr. Hayhoe: There are many points at issue in the debate. Like my hon. Friend the Member for Bath (Mr. Patten) I have sat through the whole debate and listened to the many arguments that have been produced, as my hon. Friend acknowledged. He claimed that he and his colleagues had won the arguments on 18 March, but he went on to say that the arguments being made today were identical. I agree. However, on abatement, all I can do at this hour, with people looking at the clock, without repeating what was said last time, is to reiterate the point made by my hon. Friend the Minister for Social Security in winding up that debate. He said:

"My right hon. Friends on the Front Bench have promised to keep this matter under review. We have said that the abatement will not be a permanent reduction"

—that answers one of my hon. Friend's points—

"It is equally clear that the abatement cannot be made good now, but it will be made good. My right hon. Friends have the matter under review. At the right time it will be made good."—[*Official Report*, 18 March 1982; Vol. 20, c. 536.]

Mr. Needham rose—

Mr. Hayhoe: On abatement, I can only be expected—by those who understand the way in which Government works—to reiterate the view of the Minister for Social Security at the Dispatch Box about a month ago.

[Mr. Hayhoe]

My hon. Friend the Member for Woolwich, West asked what would happen if the amendment were passed. He got it right: He said that if the amendment were passed it would mean that unemployment benefit could not be subject to taxation as from July this year. The principle of making unemployment benefit taxable has been debated and approved by the Committee. The amendment would delay that agreed taxation of unemployment benefit. If the amendment were passed it could cost £650 million in the context of a full year. We should not seek to do that by a back door route. I hope that the Committee will reject the amendment.

Mr. Rooker: We are in Committee. We are under no time constraints. The Minister has twisted the words of the amendment. If the amendment were carried unemployment benefit could be taxed from 5 July, provided that the 5 per cent. was put on from November. It is as simple as that.

Mr. Hayhoe: It is perfectly clear, and it was made clear in the debate, that the effect of the amendment, since one would not be able to do that would be that the taxation of unemployment benefit, which the Committee has approved of in the past, could not be achieved by the July date.

Mr. Peter Bottomley: The point that I was making, as my hon. Friend appreciates, is that if we pass the amendment either now—which I doubt, because there were not enough listening to the debate—or on Report, the Government will be faced with losing £650 million in taxation or giving back the £60 million which the Committee understands should be put back on unemployment benefit.

Mr. Cook: It would be a great pity if what has been a constructive and positive debate over the last four hours were to end in a procedural wrangle on a technicality. If there is anything in the amendment that will create technical problems for Treasury Bench Members, we offer them the honourable deal that they should accept in principle what we are trying to establish and we will happily not press our amendment to a Division. They can then bring back on Report whatever amendment is appropriate to secure the principle underlying the amendment. There is no adequate technical difficulty here to explain why the Treasury Bench is resisting the principle that is clearly supported by all hon. Members.

Mr. Hayhoe: I was not suggesting that there was a technical difficulty. I made it clear that on the question of abatement I stood by the position that was enunciated from the Dispatch Box on 18 March by my hon. Friend the Minister for Social Security. I did not seek in any way to resile from that position. However, I also said what would be the immediate effect of the issue raised by my hon. Friend—no more than that.

Mr. Cook: That intervention was at least useful in establishing that there is not a technical difficulty to the amendment being accepted. It is a question of principle. It is not sufficient for the hon. Gentleman to say to the Committee that he rests on the reply given by the Minister for Social Security on 18 March. The Minister for Social



Minister of State

Mr Scholar

I attach

- ① An additional note by officials on the Opposition amendment (probably the most useful)
 - ② The general note on Clause 29 with the background note on abatement flagged
 - ③ A copy of the Hansard pages, with Mr Hayhoe's comments sidelined.
- Res Dunn
RPS / Mr Hayhoe 27/4

NOTE ON AMENDMENT RESTORING 5% ABATEMENT OF UNEMPLOYMENT BENEFIT
(Clause 29 of Finance Bill 1982)

Mr Peter Shore
Mr Robert Sheldon
Mr Robin F Cook
Mr Jack Straw

Clause 29, Page 19, Line 29, after '1982', insert 'provided that unemployment benefit is increased by 5 per cent'.

RESIST

The amendment would have the effect of precluding the commencement of taxation of unemployment benefit and supplementary benefit to the unemployed until the 5% abatement of unemployment benefit is restored.

2. The Government has decided it cannot make further resources available to restore the abatement at present, but an undertaking has been given to keep the abatement under review.

SPEAKING NOTE

1. The Government cannot accept this clause. The abatement of unemployment benefit has been extensively discussed in this House and this is not the time to go over the same ground yet again. I therefore propose to state as clearly and briefly as possible the Government's position on this issue.

2. From the outset it was made clear that the decision to abate unemployment benefit was not taken solely as a proxy for taxation, but was part of a public expenditure savings package, and likely to improve work incentives; the Chancellor's budget statement in March 1980 was the first of many statements along these lines. We did undertake to review the abatement when unemployment benefit was brought into tax. We have done this. We have decided that further resources cannot be made available to restore the abatement, which would cost £60 million in a full year, when we have already allocated an extra £700 million to the unemployed in 1982-83.

3. DHSS Ministers have made clear that the question of the abatement will be kept under review, and, when circumstances allow, the claim will be considered along with other priorities for the available money.

4. It is clear then that we are not able to restore the abatement before July, when unemployment benefit is due to come into tax, so the effect of this amendment would be to prevent the benefits coming into tax at that time. We have had considerable debate on the principle of taxing unemployment benefit and supplementary benefit to the unemployed, and this House has given its approval to that principle, we must not allow the proposers of this amendment to delay the taxation of benefits by this back door route.

[Mr. Derek Foster]

responsibility to provide proper income support for those unfortunates who find themselves unemployed as a result of the Government's policy, or for any reason.

My hon. Friend the Member for Workington was right when he said that whatever policies are pursued, by whichever Government, in the next five to seven years, they will result in a long period of high unemployment. Even if the Labour Party were returned to office tomorrow and implemented with great vigour its radical strategy for reducing unemployment, and even if we were successful in bringing unemployment down to below 1 million within the lifetime of a Parliament, we are still talking about excessively high unemployment until about 1989 or 1990.

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What can we do about the unemployed in the interim period? We cannot just leave them abandoned or impose this suffering on them without giving them any relief. Do not Ministers believe that there is a moral responsibility to be fair and just to the unemployed? We can look at the problem by saying that the unemployed are doing us a service. If they were not unemployed, others in our society would have to be. Those others may well be hon. Members here today.

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Friends have suggested that a bad time has been chosen by the Opposition, and that it would have been better to wait. On the other hand, the hon. Member for Stockport, North (Mr. Bennett) thought that it was right to seek to achieve the amendment today and, if not today, to try again. However, the timing of the debate is not a matter for me. We have had a repetition of what has been heard before.

The hon. Member for Edinburgh, Central (Mr. Cook) at least referred to the substance of the clause when he spoke about the postponement and asked whether there would be sufficient time to introduce the taxation of unemployment benefit by July on the sensible presumption that the amendment would be defeated. I am advised that the staff will be ready to operate these new provisions by July.

The hon. Gentleman asked whether a mistake in putting the taxation information onto the unemployment benefit office computer could lead to delay in the payment of benefit to an unemployed person. I can assure him that that sort of delay will not occur.

The hon. Gentleman referred to the yield estimates—the figures associated with both the amendment and with the taxation of unemployment benefit. I can confirm to him that the yield from the taxation of unemployment and supplementary benefit in a full year will be £650 million and that the cost of restoring the 5 per cent. abatement in a full year would be £60 million.

Reference was made by the hon. Member for Edinburgh, Central and by my right hon. Friend the Member for Chesham and Amersham (Sir I. Gilmour) to the public sector borrowing requirement and the recent welcome news that in 1981-82 the latest figures are showing that it is £2 billion less than was estimated only some weeks ago. Right hon. and hon. Members who understand these matters will know that when we talk about the PSBR we are talking of the difference between two very substantial sums of well over £100 billion. At this stage of the succeeding financial year it is not possible to determine the results exactly. That being so there is this difference between the two levels—there have been fewer payments out and more payments in than expected. The full explanation of the £2 billion has been given.

It is suggested that in some way this statistical exercise concerned with the figures for the past financial year could influence the decisions which are to be taken today about the taxation of unemployment benefit and the restoration of the abatement. However, they have no relation to the PSBR of last year. These decisions have been made in the context of public expenditure and revenue-raising this year.

I was asked by the hon. Member for Edinburgh, Central whether the Government were committed to making good the abatement of 5 per cent. when unemployment benefit came into taxation, and whether certain eventualities did not flow from it. He seemed to ignore whether the making of the commitment was central to the issue. I shall return to that, but first I want to deploy the argument as to whether the Government are committed to the proposal.

Mr. Cook: I felicitate the Minister on having accepted the argument about the unreliability of the PSBR which has been put forward by critics of the Government's strategy over the past three years. The statement that he has just made will be of great importance to us in future debates on economic strategy. But I return to one of the questions that I put to him earlier. The Minister has just

confirmed that the expected yield from the taxation of unemployment benefit is £650 million. Will he explain how the expected yield this year is £650 million when last year the Committee on the 1981 Finance Bill was told that the expected yield was only £240 million?

Mr. Hayhoe: I am unable to give the hon. Gentleman that information immediately, but my understanding is that to the extent that the margins of error affect the PSBR, they are published in available texts and that anyone who follows these matters closely appreciates that these margins exist. If the hon. Gentleman thinks that I have said something new, he is singularly ill-informed about the normal basis of the financial statistics provided by successive Governments.

The hon. Member for Stockport, North raised a number of matters about the effect on supplementary benefit levels. He suggested that taxing benefit might push a claimant below the supplementary benefit level and make him entitled to it. That is not so, because the method of taxing benefit is such that tax will not be deducted from the benefit as it is being paid. The benefit will continue to be paid gross. Taxation will not in any case take a person below the needs level of supplementary benefit.

Mr. Andrew F. Bennett: At present, if someone gets a tax refund, that is taken into account in calculating supplementary benefit. Since no tax refunds will be paid until the end of the year, those amounts will not be taken into account, which should mean that more people will be entitled to supplementary benefit. Will the hon. Gentleman confirm that that is the position?

Mr. Hayhoe: A comparison between refunds which might be made at present and those which might be made in future could have some influence. Perhaps I may be allowed to look into that aspect of the matter.

The hon. Member for Stockport, North also wanted to know whether a delay in producing a P45 form would cause any hold-up in the payment of benefit. I am advised that it will not.

My hon. Friend the Member for Chippenham (Mr. Needham) spoke of the 5 per cent. abatement applying to unemployment and supplementary benefit for the unemployed. I can assure him that the abatement does not apply to supplementary benefit. That remains available as a safety net in cases where hardship may otherwise be involved.

I was grateful to my hon. Friend the Member for Bath (Mr. Patten) for his gracious comments. I am sure that he was, as always, trying to be helpful. He referred, as did other hon. Members, to statements made by my right hon. Friend who is now the Secretary of State for Industry during the debates on the Social Security (No. 2) Bill. We heard many quotations from what was said in a very long debate, though most attention was concentrated on the remarks made by my right hon. Friend at about 1.25 in the morning of 30 April-1 May.

It distorts the sense of that debate to suggest that the words used by my right hon. Friend at that early hour of the morning changed what he had been saying throughout the rest of the debate. If my right hon. Friend had made a new and highly important statement, it is remarkable that members of the Committee, who voted only a few minutes later, did not realise that it had happened. The hon. Member for Stockport, North was present. He did not refer to it. The hon. Member for Birmingham, Perry Barr (Mr.

Rooker) is very lyrical about these matters. Why did not he refer to it? He is not the sort of hon. Member who is slow in coming forward if he thinks that he has won a victory.

Mr. Rooker: I did not refer to it at the time for the very same reason that I did not refer to the unqualified commitment to restore the 5 per cent. on injury benefit given by the Minister for Social Security in Committee a few weeks ago on the Social Security and Housing Benefits Bill. I accepted it at face value, as other hon. Members did.

7.30 pm

Mr. Hayhoe: "At face value" was in the context of all the other Minister's statements during the course of a long debate which made it perfectly clear that he was not entering into a specific commitment linking the ending of that rebate with the bringing in of the taxation of unemployment benefit. Those people who argue that case should look back over the long series of comments made by my right hon. Friend in that debate. The point was raised during the debate on the Social Security and Housing Benefits Report stage. None of my hon. Friends—whose strong feelings on these matters I appreciate—suggested that my right hon. Friend had sought to deceive the Committee. Nobody questioned his integrity. I hope that his integrity will not be questioned now. He has made it clear that he was not changing ground in the early hours of the morning. Therefore, the words that he had used consistently earlier in the day do not have the meaning which has been linked with them. Those are the words which stand.

Mr. Chris Patten: May I try once again this evening to be helpful to my hon. Friend? For the time being, I am prepared to concede that "temporary" and "interim" mean "permanent". Will my hon. Friend turn to the nub of the question, which is whether it is right to double tax the severely disadvantaged group. That is the point mentioned by the Social Security Advisory Committee. That is the real point at issue.

Mr. Hayhoe: There are many points at issue in the debate. Like my hon. Friend the Member for Bath (Mr. Patten) I have sat through the whole debate and listened to the many arguments that have been produced, as my hon. Friend acknowledged. He claimed that he and his colleagues had won the arguments on 18 March, but he went on to say that the arguments being made today were identical. I agree. However, on abatement, all I can do at this hour, with people looking at the clock, without repeating what was said last time, is to reiterate the point made by my hon. Friend the Minister for Social Security in winding up that debate. He said:

"My right hon. Friends on the Front Bench have promised to keep this matter under review. We have said that the abatement will not be a permanent reduction"

—that answers one of my hon. Friend's points—

"It is equally clear that the abatement cannot be made good now, but it will be made good. My right hon. Friends have the matter under review. At the right time it will be made good."—[*Official Report*, 18 March 1982; Vol. 20, c. 536.]

Mr. Needham rose—

Mr. Hayhoe: On abatement, I can only be expected—by those who understand the way in which Government works—to reiterate the view of the Minister for Social Security at the Dispatch Box about a month ago.

[Mr. Hayhoe]

My hon. Friend the Member for Woolwich, West asked what would happen if the amendment were passed. He got it right. He said that if the amendment were passed it would mean that unemployment benefit could not be subject to taxation as from July this year. The principle of making unemployment benefit taxable has been debated and approved by the Committee. The amendment would delay that agreed taxation of unemployment benefit. If the amendment were passed it could cost £650 million in the context of a full year. We should not seek to do that by a back door route. I hope that the Committee will reject the amendment.

Mr. Rooker: We are in Committee. We are under no time constraints. The Minister has twisted the words of the amendment. If the amendment were carried unemployment benefit could be taxed from 5 July, provided that the 5 per cent. was put on from November. It is as simple as that.

Mr. Hayhoe: It is perfectly clear, and it was made clear in the debate, that the effect of the amendment, since one would not be able to do that would be that the taxation of unemployment benefit, which the Committee has approved of in the past, could not be achieved by the July date.

Mr. Peter Bottomley: The point that I was making, as my hon. Friend appreciates, is that if we pass the amendment either now—which I doubt, because there were not enough listening to the debate—or on Report, the Government will be faced with losing £650 million in taxation or giving back the £60 million which the Committee understands should be put back on unemployment benefit.

Mr. Cook: It would be a great pity if what has been a constructive and positive debate over the last four hours were to end in a procedural wrangle on a technicality. If there is anything in the amendment that will create technical problems for Treasury Bench Members, we offer them the honourable deal that they should accept in principle what we are trying to establish and we will happily not press our amendment to a Division. They can then bring back on Report whatever amendment is appropriate to secure the principle underlying the amendment. There is no adequate technical difficulty here to explain why the Treasury Bench is resisting the principle that is clearly supported by all hon. Members.

Mr. Hayhoe: I was not suggesting that there was a technical difficulty. I made it clear that on the question of abatement I stood by the position that was enunciated from the Dispatch Box on 18 March by my hon. Friend the Minister for Social Security. I did not seek in any way to resile from that position. However, I also said what would be the immediate effect of the issue raised by my hon. Friend—no more than that.

Mr. Cook: That intervention was at least useful in establishing that there is not a technical difficulty to the amendment being accepted. It is a question of principle. It is not sufficient for the hon. Gentleman to say to the Committee that he rests on the reply given by the Minister for Social Security on 18 March. The Minister for Social

Security did not explain why the Government are refusing to restore the 5 per cent. abatement. No explanation was provided by the Minister in that debate.

The Minister's reply was useful in one respect, in that he confirmed the figures. We now have it on record that last year the Treasury expected £240 million from the taxation of unemployment benefit. This year it expects to get £650 million from taxation. By any standard, those are generous margins of error. If the Treasury is so uncertain about the impact on its tax revenue of this measure, how can it be sure what the impact will be on the many poor households that will be called upon to pay the tax to provide that revenue? Many of them will be subject to a liability which appears to be very uncertain.

The essential point remains that the Government will receive £410 million more in tax than they expected last year. If they receive a bonus of £410 million above what they thought they would get when they brought the clause forward last year, the case for resisting giving only £60 million of that to the unemployed by the 5 per cent. is overwhelming. There are no possible grounds on which the Government can argue that they do not have the money. They will be left with £350 million more than they thought they would get in the first place.

The Minister suggested that we should not rely on any one quotation but should look at the whole, that we should add up all the quotations and find the average. If that is so, let me throw in another quotation. It is a quotation from a speech made, not late at night, but at a reasonable hour, within the Chamber. The right hon. Member for Daventry (Mr. Prentice) said

"we have a rough and ready substitute to last until 1982 when we hope to bring in proper taxation".

There is no room for equivocation. It is perfectly clear that in that right hon. Gentleman's mind—if not in the minds of his colleagues—the 5 per cent. abatement would be restored when tax was brought in in 1982.

Mr. Reg Prentice (Daventry): Will the hon. Gentleman take it from me that I was in no sense saying that the 5 per cent., would be restored. That was not in my mind. Nor is it explicitly or implicitly contained in anything that has been quoted.

Mr. Cook: I shall repeat those words:

"we have a rough and ready substitute to last until 1982, when we hope to bring in proper taxation."—[*Official Report*, 15 April 1980; Vol. 982, c. 1142.]

If that was not an indication that the right hon. Member for Daventry (Mr. Prentice) thought that the Government would restore the 5 per cent. abatement when taxation was introduced in 1982, he did not choose his words carefully enough to convey a lucid impression. Any objective and impartial audience would have assumed that he said that the 5 per cent. abatement would not last beyond 1982, when taxation would be introduced.

Mr. Prentice: I accept criticism of my syntax, but I had no right at that time, and did not claim the right, to say what financial priorities would be announced by the Chancellor of the Exchequer two years later. The hon. Gentleman has no right to assume that I meant anything of the sort.

Mr. Cook: I entirely accept that the right hon. Gentleman could not commit a future Government, even if the Government in question are of the same colour and party as the right hon. Gentleman, and even if he is no

CLAUSE 29: SOCIAL SECURITY BENEFITS

SUMMARY

1. This clause amends in three respects the legislation in the Finance Act 1981 bringing into tax unemployment benefit and supplementary benefit paid to the unemployed and to strikers. First, it brings into tax certain additional payments of supplementary benefit to the unemployed. Second, it changes the start-date for bringing these benefits into tax. Third, it makes some drafting changes to the 1981 provisions, to take account of a proposed change to Section 5 of the Supplementary Benefits Act 1976.

DETAILS OF THE CLAUSE

2. Paragraphs (a) (b) and (c) of subsection (1) amend Section 27 of the Finance Act 1981, to bring into tax payments of supplementary benefit to the unemployed made under Regulations 12, 16 or 19 of the Supplementary Benefit (Urgent Cases) Regulations 1981 and under the equivalent provisions in Northern Ireland.

3. Paragraph (d) of subsection (1) changes from 6 April 1982 to 5 July 1982 the starting date for bringing into tax benefits paid to the unemployed and to strikers.

4. Subsections (2) and (3), with a revised form of wording introduced in subsection (1)(a)(ii), adapt the references in the Finance Act 1981 provisions to Section 5 of the Supplementary Benefits Act 1976; this adaptation is made so that the references take account of a proposed change to Section 5 introduced in the Social Security and Housing Benefits Bill 1981.

5. Subsection (4) provides for the amendments in the clause to take effect at the appropriate dates.

BOARD OF INLAND REVENUE

PART II For Ministers' Personal Use Only

GENERAL NOTE

6. Payments under the Supplementary Benefit (Urgent Cases) Regulations. The general effect of the amendments in this part of the clause is to ensure consistency of treatment by bringing into tax certain additional payments of supplementary allowance. These are payments made in the period before a claimant has established entitlement to normal benefit; in the period after a claim has been made but before the first payment of normal benefit is actually due; or in a period where a claimant is disqualified from entitlement to normal benefit (for example, because he has unreasonably restricted the type of work he will undertake). The reason for taxing these payments is partly equity, partly operational simplicity. As regards equity, there is no reason why stop-gap payments to (say) someone who has failed to produce the necessary evidence of his needs or resources should remain untaxed, while regular payments made to someone who establishes the details of his claim straightaway should be taxed. As regards operational simplicity, it would not be particularly easy to separate out for taxation purposes these additional payments of benefit from normal payments.

7. Change of date from 6 April to 5 July. This change was announced on 17 September 1981. It followed a ten-week strike of DHSS computer programmers at the benefit service computers at Reading. Ministers may be pressed on the reason for the postponement, which was not at the time attributed by the Government directly to civil service industrial action. The answer to questions on this point is that industrial action was clearly one factor in the postponement, but obviously the timetable for a detailed and complex operation of this nature is subject to a number of different constraints and pressures. The revenue loss from the three-month postponement is £m200 (£m175 in 1982-83 and a further £m25 in 1983-84), though this has not so far been made public.

BOARD OF INLAND REVENUE

8. Drafting changes to reflect alteration to Section 5 of the Supplementary Benefits Act 1976. The current Social Security and Housing Benefits Bill introduces an amendment to this section (which contains the condition to which a person's right to supplementary allowance is normally subject). At present, the right is normally subject to registration and availability for employment. When the new provision takes effect, it will in most cases be subject only to availability for employment. The consequential changes to the Finance Act provisions are drafting changes only, and have no substantive effect.

/BACKGROUND NOTE

5% abatement
of unemployment

BACKGROUND NOTE

Abatement

9. The main issue which is expected to be raised on Clause 29 - and no doubt the main reason why the Opposition have chosen to have it debated on the Floor of the House - is the 5 per cent abatement of unemployment benefit.

10. Unemployment benefit (together with invalidity, sickness and injury benefit, and maternity allowance) was abated by 5 per cent in November 1980.

11. The Chancellor's Budget Statement in March 1980 made it clear that the decision to abate unemployment benefit was not taken solely as a proxy for taxation, but was part of a public expenditure savings package, and likely to improve work incentives.

12. Ministers undertook to review the abatement when unemployment benefit came into tax in the light of economic circumstances. Restoring the abatement would have a public expenditure cost of £m20 in 1982-83 and £m60 in a full year. The PSBR cost, net of tax, would be £m40 in a full year. The Government has decided that it cannot make further resources available to restore the abatement, particularly when an additional £m700 is being spent on benefits paid to the unemployed in 1982-83, including restoration of the 2 per cent shortfall (experienced at the November 1981 uprating).

13. MPs on both sides of the House have suggested that Ministers have made misleading statements which created a clear impression that the abatement would be restored when unemployment benefit came into tax. These statements have been taken out of context. Ministers have undertaken to keep the abatement under review, and, when circumstances allow, the claim will be considered along with other priorities for the available money.

Mechanics

14. The annex to this note contains a general brief on the mechanics of bringing into tax benefits paid to the unemployed, and the reason for withholding tax refunds from benefit claimants with effect from 6 April 1982.

BOARD OF INLAND REVENUE

Mechanics of taxing benefits paid to the unemployed

1. Unemployment benefit and supplementary benefit paid to the unemployed will be brought into tax this year under a modified form of PAYE. The mechanics of this, in brief, are as follows.
2. When a person becomes unemployed he will hand over to the benefit office his P45. This is the "leaving certificate" from his last employer which shows his levels of pay and tax at the point he became unemployed. The benefit office will then act for tax purposes as his new employer, but his tax position will be "frozen" - that is to say, he will not receive any refunds of tax nor will tax actually be deducted from his benefit as it is paid to him. His position will be reviewed by the benefit office, and a tax calculation made, either when he terminates his benefit claim (normally because he is going back to work) or when the tax year ends, whichever is the sooner.
3. At that point most unemployed people will receive from the benefit office a small net refund of tax. This is because their personal tax allowances have been accruing to them during unemployment, with the benefit being set against their allowances. The latter will normally be smaller than the former, giving rise to a small refund of tax when the position is reviewed. In the exceptional case, there may be some net liability to tax. In these cases, it will be collected over a period of time by a subsequent adjustment to the person's PAYE code. When the person returns to employment, his P45 will be passed on to his new employer.
4. Benefits will therefore be taxed under a "subsequent" rather than "current" system, but the cumulative PAYE principle will be maintained because any earnings or other income during the tax year will be taken into account in determining tax liability. Tax will not be deducted from benefit currently, which means that nobody will be taken below his supplementary benefit "minimum needs" level. This is the essential reason for the "subsequent" system.

BOARD OF INLAND REVENUE

5. Why hold back tax refunds from 6 April 1982 while not bringing benefit into tax until 5 July 1982? The reason for this is a mechanical one. Withholding the refunds from 6 April, rather than from 5 July, will affect only a limited group of people - those who become unemployed after the beginning of the tax year, and have some pay and tax from their employment in the year (from the month of April, for example). Details of this pay and tax have to be recorded and taken into account when a person's tax position is calculated on his return to employment, assuming that this is after benefit starts to be taxed in July - say, for example, in September 1982. If he was paid refunds in the meantime, the details of his tax which had been recorded would be out of date and incorrect - and the tax calculation made on his return to work would be wrong. For this reason, tax refunds have to be withheld from unemployment benefit claimants from the start of the 1982 tax year.

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✓ cc AD
AW
JV (2)

Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

ms 24/12

23 December 1981

The Rt. Hon. Norman Fowler, MP
Secretary of State for Social Services
Department of Health and Social Security
Alexander Fleming House
Elephant & Castle
LONDON SE1 6BY

ms

Dear Norman

You sent me a copy of your letter of 14 December to Michael Jopling about the issue of the 2 per cent shortfall on unpledged benefits.

I agree that we probably ought to continue to take the line that the exact size of the uprating of benefits in November 1982 will be decided at the time of the Budget. Since you wrote, the situation has become rather easier since it now looks as if the Opposition will not force the issue until the Report stage of the Social Security Bill, which will probably not be reached until March. But I am sure that we should continue to watch the situation closely, because, as you point out, an ambush is not to be excluded; and we may indeed have to reassure our own backbenchers that there will be an opportunity for a full discussion on the floor of the House.

I should however make one point on the exact words we should use. You say that on 8 December we gave an undertaking "that we would look further at the possibility of making good the 2 per cent shortfall". In fact Leon Brittan and I were both careful to avoid referring explicitly to the shortfall in that debate. We said that the size of the uprating had still to be decided, but did not specify which of the matters affecting it was still open. I think that it is better to keep to this formulation for the future.

Copies of this letter go to the other recipients of yours, and to Francis Pym.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

MR. INGHAM

cc: Mr. Walters
Mr. Duguid
Mr. Vereker

UNEMPLOYMENT, BENEFITS AND THE
CHANGE FROM THE 50s to the 70s

You kindly gave me advice (as did Alan Walters) on how this issue, raised in a note from Alan Walters to the Prime Minister of 3 December, might be opened up in the Times or the Guardian.

The Prime Minister has decided, on reflection, that we cannot stimulate an article from here. It seems to me, therefore, that we should now allow the matter to rest.

M/S

21 December 1981



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1

TELEPHONE: 01-407 5522

David Wright Esq
Private Secretary
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

1. cc Press Office

2. WFSR ^{wm} 22/12

21 December 1981

Dear David

I attach a copy of the Government's reply to the 3rd Report of the Select Committee on Social Services. This reply is to be presented to Parliament and published on Wednesday 23 December.

It was agreed by H Committee on the basis of my Secretary of State's letter to the Home Secretary of 9 December.

I am sending copies of this letter and the report to the Private Secretaries of Members of the Cabinet and the Chief Whip.

Yours ever

Mary McVerry

MARY McVERRY (MRS)
Private Secretary



N130M

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Brendan O'Gorman Esq
 Private Secretary to the
 Secretary of State for
 Health and Social Security
 Alexander Fleming House
 Elephant and Castle
 LONDON SE1

15 December 1981

Dear Brendan

THIRD REPORT FROM SOCIAL SERVICES COMMITTEE

with notes -
 My Secretary of State has seen a copy of the letter sent by your Secretary of State to the Home Secretary on 9 December enclosing a copy of the suggested Government response to the Third Report from the Social Services Committee for 1980/81.

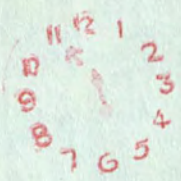
Mr Tebbit suggests that the last sentence of the response to Recommendation 17 be omitted. The earlier sentences make clear that the Committee's welcome to the extension of the long term rate to the over 60s cuts across to some extent the main thrust of their recommendation. But those receiving the rate are no longer required to register and are not counted as unemployed, so that the point cannot be pressed to far. As the Prime Minister put it on 27 July these people "will be able to retire on the higher long-term rate of supplementary benefit". I am copying this letter to the private secretaries to members of H Committee, to Willie Rickett and to Sir Robert Armstrong.

Yours

Mamie Fahey

MISS M C FAHEY
 Private Secretary

16 DEC 1981



Prime Minister (2)



Mus 18/12

10 DOWNING STREET

ms

MR. ✓ SCHOLAR

You sent me a copy of Norman Fowler's proposed response to the Social Services Committee. I drew Alan's attention to some remarks about part-time work, and he has sent the attached comments to Norman Fowler.

AD

14.12.81

ANDREW DUGUID

CONFIDENTIAL



10 DOWNING STREET

14 December 1981

Dear Secretary of State

REPLY TO SOCIAL SERVICES COMMITTEE

I read with interest the draft response to the third report from the Social Services Committee that you circulated with your letter of 9 December.

I was particularly interested in recommendation 18. In principle, it would be desirable for larger numbers of the unemployed to participate in the economy through part-time work rather than not at all. I can see that there are many problems, including the incentive problem for low-income full-timers that the last paragraph of page 8 refers to.

But I do not agree with the assertion in paragraph 2 that any substantial increase in part-time work by the unemployed would probably be at the expense of those now working part-time. This suggests there are a fixed number of part-time jobs available, whereas there must be considerable scope for an increase, provided the price is right. Similarly, the sentence in paragraph 3: "Most unemployed people want full-time work and have no prospects for part-time work." is not strictly correct. The prospects of finding part-time work depend upon the willingness of employers to make use of people in this way. It is certainly not an inherently inefficient way of employing people in many industries, such as domestic service, office cleaning, commuter bus driving, etc. If attitudes were more flexible and the price of labour realistic, there could be many more part-time jobs.

One factor determining the number of part-time jobs is surely the benefit rules. As I understand it, a UB recipient is now allowed to earn up to £2 per day, but thereafter each pound earned means a pound of benefit foregone. SB recipients are only allowed £4 per week. Married couples on SB are allowed £4 each, but not allowed to combine this so that one of them earns £8. I can see difficulties, but have you considered changing the rules so that, up to some limit, an extra pound earned would only mean a loss of 50% in terms of benefit reductions? I gather that there is such a scheme for single parent families for earnings between £4 and £20.

/If you do

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If you do feel able to amend paragraphs 2 and 3 on page 8 to reflect these points, it might also be better to express the objections to part-time work a little less firmly in paragraph 5 of the first page of your reply.

I am copying this letter to the Prime Minister, the Chancellor, the Secretary of State for Employment and Robin Ibbs.

Yours sincerely
Alan Walters

The Right Honourable
Norman Fowler, MP,
Department of Health & Social Security,
Alexander Fleming House,
Elephant and Castle,
London, SE1 6BY.

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Copy 4 Mc Jones

SECRET

1. Copy No 1. 2. Social Services



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE LONDON SE1 6BY
TELEPHONE 01-407 5522 EXT

Prime Minister

KWJ

The Rt Hon Michael Jopling MP
Chief Whip
12 Downing Street
LONDON SW1

14 December 1981

14xii

Dear Michael. MB

You sent me a note to say that 25 of our backbenchers can be expected to vote against us when we come to debate the issue of unemployment and supplementary benefit and the 2 per cent shortfall.

There is no operational requirement to debate this issue until we table the appropriate uprating Orders next summer. And we have already given an undertaking, in last Tuesday's debate, that we would look further at the possibility of making good the 2 per cent shortfall and would announce a decision when the actual rates of benefits are settled at the time of the Budget. I had hoped that this assurance would satisfy our supporters, and it remains my view that this is the correct stance to adopt. So far as our own people are concerned, we should hold this line.

There is, of course, a real risk of an ambush by the Opposition which will precipitate a debate on this issue, and therein lies our problem. The Social Security (Contributions) Bill, due for Second Reading tomorrow and remaining stages on Thursday, provides the first opportunity for such an ambush. Although the Bill does not lend itself to an amendment about benefits as such - since its scope is limited to contributions - I would expect the Opposition to argue that an increase in contributions should not be sanctioned without some assurance that all shortfalls will be made good. More specifically, they can be expected to argue in Committee Stage that Clause 2 of the Bill, which sanctions a reduction in the Exchequer contribution to the National Insurance Fund, should at the very least be amended to provide for an Exchequer contribution large enough to cover the cost of making the shortfalls good.

We may also find ourselves in difficulties over the Social Security and Housing Benefit Bill, currently in Standing Committee. Unlike the Contributions Bill, the SSHB Bill does provide ample opportunity for the Opposition to table an amendment which will put the issue of shortfall directly before the House, and we should assume that they will do so. If, as you and I judge, our backbenchers are ready to vote against us on this issue, then clearly we would like to urgently consider our position. However, I repeat that this matter is still best dealt with, in my view, by sticking to the line we took in the economic debate.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and the Chief Secretary.

Yours

NORMAN FOWLER

SECRET

Prime Minister

You asked me to suggest an economist ^{who} ~~you~~ could open up

1

MR SCHOLAR

The issue raised in Alan's note, in the Times or Guardian. Alan

suggests John Wood of the Institute

of Economic Affairs; or John Burton. Terry

Burns thought that Patrick Minford would

be better, because more uncontroversial.

cc Professor Walters
Mr Hoskyns
Mr Wolfson
Mr Duguid
Mr Vereker

UNEMPLOYMENT, BENEFITS AND THE CHANGE FROM '50s TO '70s

You asked for advice on how this issue might be opened up in the Times or Guardian.

I think I would marginally prefer The Times to the Guardian and I think it would be better for John Burton to offer an article to that paper. The advantage of The Times is that it carries greater weight. On the other hand such an article in The Guardian (assuming they would carry it) might create greater sound and fury.

But it is very important that the Prime Minister is not associated with the ideas at a time when we are trying to project her in a more sympathetic light.

B. INGHAM
10 December 1981

shall I have a very private word

with Patrick (who I know from old Treasury days) and ask him if he'd do it? (obviously, there to be absolutely no hint that the idea came from here.)

I don't think we can do anything from here.

MUS 19/12

mt.

Ash T Burns.

cc Mr. Ingham
Mr. Hoskyns
Mr. Wolfson
Mr. Duguid
Mr. Vereker

MR. SCHOLAR

UNEMPLOYMENT, BENEFITS AND THE CHANGE FROM THE 1950s
TO THE 1970s

The only two people I can think of who would be appropriate for opening up such a discussion in the "Times" or the "Guardian" are John Wood of the Institute of Economic Affairs, and John Burton, the author of 'The Job Support Machine' published by the Centre for Policy Studies in 1979.* Both of them have done considerable work on unemployment and subsidy.

I have also written to Sam Brittan - copy attached.

AW

9 December 1981

ALAN WALTERS

* now at University of Birmingham

FINANCIAL TIMES

BRACKEN HOUSE 10 CANNON STREET LONDON EC4P 4BY
TEL: 01-248 8000



7 December, 1981

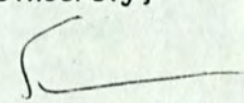
Dear Alan,

I was considerably cheered by your letter.

Since then, we have had three more establishment economists treating inflation and unemployment entirely in the way you castigated, and gaining appropriate publicity.

W h best with

Yours sincerely,


Samuel Brittan

Professor Alan Walters,
10, Downing Street,
London, S.W.1.

JH
AD



10 DOWNING STREET

1 December 1981

Dear Sam

I found your Lombard column most agreeable. I had imagined, in my hopelessly optimistic manner, that some progress had been made with the National Institute. Alas, they still believe that economics should be priceless.

I wonder whether you thought of a further reflection. I am sure that the National Institute explanation of "insufficient demand" is the standard one accepted in virtually all conventional schools of economics in the UK. Layard and his Centre, Minford at Liverpool, and Buddat the LBS are the exceptions rather than the rule. The vast majority of academic economists continues to believe that the rate of inflation is determined by institutional forces and can be taken as a datum, extraneous to the analysis.

Yours ever
Alan

Sam Brittan, Esq.,
The Financial Times,
Bracken House,
Cannon Street,
London, EC4.

RESTRICTED



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
 ALEXANDER FLEMING HOUSE
 ELEPHANT AND CASTLE LONDON SE1 6BY
 TELEPHONE 01-407 5522 EXT

The Rt Hon William Whitelaw MP
 Secretary of State for Home Affairs
 Home Office
 50 Queen Anne's Gate
 LONDON SW1

9 December 1981

Dear Willie.

I am enclosing a copy of the response which I suggest the Government should make to the Third Report from the Social Services Committee for 1980/81. This Report is concerned with those points of the Government's White Paper on Expenditure which concern the Health, Personal Social Services and Social Security programmes for which I am responsible. I propose that the reply be presented as in previous years, in the form of a White Paper - the Report itself attracted some press publicity which is best answered in this way.

In contrast to last year's equivalent Report from the Social Services Committee, this Report is more moderate in tone, but the Committee continue to pursue the general areas of concern expressed in last year's Report - namely, accountability of the NHS and the Department to Parliament; the achievement of effective planning procedures; the improvement of information bases for policy-making and assessment of performance. On the Health and Personal Social Services front there is little new in the Department's response, either in the general introductory remarks (paragraphs 1-5) or in the responses to the specific recommendations, many of which concern purely factual information on established policies. The responses to recommendations concerning arrangements for unemployment benefit (recommendations 17-20) are likely to be of special interest to colleagues, since they arise specifically from the present employment situation and link with other Departments policies. The draft response has already been seen at official level by the Departments most directly concerned ie Treasury, Environment, Employment, Scotland, Wales and Northern Ireland.

Our reply must be sent to the Committee before the House rises for Christmas. I should be grateful therefore if you and colleagues in H Committee could let me have any comments you may wish to make on our proposed response by Monday 14 December.

I am copying this letter to colleagues on H Committee, No 10 and Sir Robert Arms

CC - ~~Perm Secy~~
~~Mr Hulme~~
~~Mr Barnes~~
~~Mr Coles~~
~~Mr Nixson~~
~~Mr Banks~~
~~Mr Heppell~~
 Enc
~~Mr Price~~

Yours

Norman Fowler

NORMAN FOWLER

PUBLIC EXPENDITURE ON THE SOCIAL SERVICES

Reply by the Government to the Third Report from the Social Services Committee, Session 1980-81

1. In their 3rd Report of the 1980-81 Session, the Social Services Committee considered sections 2.11 and 2.12 of the White Paper setting out the Government's expenditure plans (Cmd 8175). This White Paper giving the Government's reply to the Report begins with some general observations (paragraphs 1 to 7) and then deals with the Committee's specific recommendations.

HEALTH AND PERSONAL SOCIAL SERVICES

2. The Committee devote a substantial part of their Report to considering issues of planning, monitoring and accountability in the health and personal social services. The Government welcomes the recognition by the Committee of the many practical difficulties that exist and agrees that there is merit in a constructive debate. As the Government's response to the Committee's recommendations shows, there is common ground on many aspects. Differences centre upon the degree of detail that could or should be available nationally for planning and monitoring purposes.

3. For the National Health Service, the Government needs to be satisfied that health authorities are satisfactorily carrying out their responsibilities and making proper and effective use of the large public resources entrusted to them. This requires a planning base for each District and Regional Health Authority, responsive to policy direction from the Government, with the development of performance measures which will assist Regional and District Health Authorities and the Department to assess progress in the NHS towards policy objectives for service provision and greater efficiency. Progress is being made but the Government recognises that there is more to do.

4. The constitutional position is different in respect of the personal social services. Central government has taken action to ensure that adequate information is made available by local authorities to make them accountable to their electorates, and the Department collects and makes available the information necessary to judge general trends. But it is not the function of the Department to monitor individual authorities comprehensively.

SOCIAL SECURITY

5. The Committee concentrate on the effect of the high level of unemployment on social security benefit expenditure and discuss possible changes in the benefit entitlement conditions to meet this situation. The Government recognises the importance of these issues and the replies to the specific recommendations reflect its concern and outline the action which is being taken. To meet the aims identified by the Committee - reversing the trend to supplementary benefit; allowing unemployed people and disabled people to take up part-time work; and creating new jobs in the public services for unemployed people - would however mean changes which are likely to increase public expenditure. Such an approach would not be consistent with the main thrust of Government policy, which is to build a strong economy.

REPLIES TO RECOMMENDATIONS

Recommendation 1

The DHSS should ensure that accurate costings are incorporated in expenditure projections

There has been no general problem concerning the costing of NHS pay awards, though work continues to improve the data base. A new earnings information system is being introduced this year and nine regions are expected to adopt the system during this year (1981-82); other regions may implement the system over the next two years, and meanwhile have been asked to provide complementary information.

There were special problems in costing the 1980-81 pay award to Nurses and Midwives, which was based on Report Number 3 of the Standing Commission on Pay Comparability. The Standing Commission costed their recommendations at 19.3% but the Management Side of the relevant Whitley Council increased this to 20.1% in the light of their own knowledge of the existing paybill and the likely cost of improving various elements. In the event, data relating to payments for working unsocial hours proved unreliable and the award was undercosted. This particular set of circumstances is unlikely to recur. The Department already has close liaison with NHS Treasurers but, following this experience, a small group has been established to advise on the estimated cost of pay awards announced but not yet implemented.

Recommendation 2

In future the feasibility and desirability of policy changes should be tested more rigorously before becoming the basis of expenditure planning

It is not always possible to explore fully the detailed consequences of each separate option for change before comprehensive decisions are made by the Government in its review of public expenditure. And some decisions must be dependent on subsequent legislation. As the Committee noted, the revenue assumed was restored to the health expenditure programme when certain options were not pursued.

Recommendation 3

The examination of NHS finances now being undertaken by the DHSS should have regard to the implications for other aspects of the DHSS's policies, notably incentives.

The review of alternative methods of financing health care will have regard to all Government policies.

Recommendation 4

In framing expenditure plans for next year's White Paper, emphasis should be put on achieving more realism in the figures for the Personal Social Services.

The Department notes the Committee's recommendation.

Recommendation 5

The DHSS should seek to produce more accurate estimates of the demand for, and take-up of, different benefits.

The Department notes the Committee's recommendation.

Recommendation 6

No changes should be made in the White Paper which make year-on comparisons of the basic expenditure projections more difficult.

The Government recognises the importance of facilitating year-on-year comparisons between White Papers, and changes are not made without good reason. For example the Government decided that the introduction of separate programmes covering the expenditure within the responsibility of the Secretary of State for Scotland and the Secretary of State for Wales would be more consistent with the discretion each has to decide expenditure priorities. Similarly the change to cash planning for the 1981 Public Expenditure Survey will naturally affect the presentation of information in the next White Paper. However the Department will continue to assist the Committee, if requested, in making year-on-year comparisons.

Recommendation 7

There should be a strong presumption in favour of publication of DHSS studies of policy options.

The Department agrees with the Committee's recommendation. A strong presumption in favour of publishing policy options already exists. Over the last few years, public consultation on options has included the Supplementary Benefit Review; the review of the Mental Health Acts; "Care in the Community - the transfer of patients and resources from the NHS to the community"; and "Towards Better Dental Health".

Recommendation 8

Those charged with monitoring - whether at regional or national level - should report to this Committee their findings about the adequacy and quality of the health services being provided.

The Department does not think it appropriate for there to be regular reports from Regions or Management Advisory Services direct to the Committee. The Management Advisory Services will report to the District Health Authorities responsible for the local services they have examined, and will also complement the Regional Health Authorities' monitoring role. Regional Health Authorities are accountable to the Secretary of State who is in turn accountable to Parliament for the performance of the health services provided. The Department will continue to consider what further material should be made available nationally and in what form.

Recommendation 9

The Committee of Public Accounts has defined one of the functions of audit as being: "to investigate the effectiveness of programmes and projects in meeting established policy goals." This should be a high priority objective to the DHSS.

Chapter 2 of the Report of the Public Accounts Committee on the Role of the Comptroller and Auditor-General deals with the scope of his audit of the appropriation accounts. After endorsing the Government's view of the fundamental importance of efficient and thorough financial and regularity audit the Report discusses value for money and effectiveness audit. The Public Accounts Committee notes the difficulty of drawing dividing lines between these three aspects of audit, and the danger that effectiveness audit might draw the Comptroller and Auditor-General into debate on the merits of policy objectives. The Government's reply (Cmd 8323) endorses the need for this restraint.

These considerations apply to the Department's audit of the NHS. Civil Service manpower constraints mean that effort must be concentrated on financial and regularity audit. However the Department plans to increase the effort to value-for-money audit by a modest increase in audit staff and by engaging commercial accountants to audit eight District Health Authorities. The Department, whilst recognising the problems of definition, intend that the auditors should examine the efficiency with which agreed policies are being pursued, but not the merits of the proposed policies themselves.

Recommendation 10

As a matter of urgency every effort should be made to find a way to measure the savings flowing from improved efficiency.

The Government share the Committee's concern to promote efficiency in the NHS and to assess the savings that flow from this. As explained in the Department's evidence, some broad estimates of the potential for savings can be made and these underlay the decision to ask health authorities to fund £25 million of planned growth through improved efficiency and productivity. We are consulting Regional Treasurers to see how this specific saving is being made; on the more general issue of measuring efficiency, we are examining the possibilities for making further use of existing indicators though the study has so far confirmed the impression given in the Department's evidence that there are serious technical limitations to what can be done. The Department is also considering what indicators might be derived from the Körner Review of Health Services Information.

Recommendation 11

The DHSS should continue to seek to develop ways of assessing quality, independently of the input of resources: this is already the role of the Health Advisory Service and could usefully become a responsibility of any new Management Advisory Service.

The Department is already concerned to develop ways of assessing quality to complement the quantitative information it receives. The Department will draw the Committee's recommendation to the attention of those Regions participating in pilot studies of a Management Advisory Service.

Recommendation 12

Information about the numbers of patients treated should be supplemented with other indicators such as the types of case being treated or their relative seriousness.

The Department already monitors a wide range of indicators, including the types of case being treated. The annual Hospital In-Patient Enquiry provides information for example on diagnosed clinical conditions and types of surgical operations. An analysis of trends in these and related indicators was one of the three studies carried out in parallel to "Care in Action". Relative seriousness is more difficult to gauge since this will vary within conditions, but it is possible to draw tentative conclusions from the available information, as the study referred to demonstrates.

Recommendation 13

If the Secretary of State rejects the use of indicative expenditure figures to express the DHSS's priorities, he should produce alternative ways which will allow this Committee and others to monitor the progress towards the Government's policy objectives.

The retrospective analysis (using the methodology derived for the Programme Budget) supplied to the Committee indicated the direction and pace of change in spending on particular services. Examination of these trends is in many ways more useful than monitoring progress towards national indicative figures which, as stressed when they were first promulgated (in the consultative document "Priorities for Health and Personal Social Services in England" (1976), are only quantitative illustrations and do not represent targets. However, in maternity and neonatal services, following the recommendations in the Second Report from the Committee on Perinatal and Neonatal Mortality, the Secretary of State is taking steps to establish minimum standards which are attainable within a reasonable time and with reasonable staffing and finance.

Recommendation 14

Parliament should be provided with better information about the extent to which the "priorities and policies" of the Secretary of State are in fact carried out by individual authorities.

The Department notes the Committee's recommendation and will bring it to the attention of the Körner Review of Health Services Information which will be considering the development by Districts of regular reports on their performance. The Department will then consider whether, and if so in what form, information on individual authorities should be made available at national level.

Recommendation 15

The DHSS should put itself into a position to supply information about the impact of changes in local patterns of expenditure on the provision of services.

and

Recommendation 16

The DHSS should not only extend its work on the comparative analysis of the performance of local Personal Social Services, but should make such information public.

The Department's role in relation to the personal social services is in general strategic, being concerned with overall performance and with significant changes over time in the balance between different forms of care both within the personal social services and between these services and the health service. It is also concerned with the impact of changes in expenditure on the provision of services at aggregate levels. The retrospective analysis provided to the Committee identifies some relevant national trends. It is based on, and supplemented by, annual returns from all social services authorities of their expenditure and provision, which are published in aggregated form by the Department. This year, as last year, the Department also provided the Committee with expenditure figures for individual social services and health authorities; these the Committee published with their Report. Further information is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Department's regional social work service also prepares reports on various aspects of the provision made by individual authorities, but these are frequently not in a form suitable for publication.

Bearing in mind that local authorities have the statutory responsibility for provision and that they are independent, the Department considers that the information available to it is sufficient for the carrying out of its functions. It is not in a position to carry out or publish more detailed analyses of performance in individual authorities.

Various sources of information on this are however available to the public. Some performance indicators on personal social services are included in the information that authorities will be publishing locally in accordance with codes of practice agreed between central and local government. CIPFA, with central government support, last July published comparative statistics for local authorities in England and Wales based on some of this information. The independent District Audit Service is conducting a series of studies into the differences between Local Authority Social Services Departments in the forms of care which they provide for major client groups, and the comparative costs of these various forms of care. A study of services for children in care has recently been completed; others on services for elderly and mentally handicapped people are in hand, and a study of the administration of the personal social services is planned. We understand that the studies will be published, and that summaries of their findings will be included in the Chief Inspector's annual reports.

Recommendation 17

The DHSS should give further consideration to ways in which the dependence of the unemployed on supplementary benefit might be reduced.

The Government acknowledges the important issues raised by the Committee's recommendation. The Government's employment and training measures involve major developments in terms of coverage and content. These measures will enhance the employability of young people in particular by improving their training, work experience and morale; as well as strengthening our ability to respond to the challenges of a changing world economy. The expansion of the Job Release Scheme and the introduction of a new Young Workers Scheme, designed to encourage employers to take on more young people at realistic wage levels, will also reduce the number of people unemployed and getting supplementary benefit.

The extent of reliance by people who are unemployed on supplementary benefit depends on a number of factors: the incidence of unemployment among those who are and are not entitled to national insurance benefit or supplementary benefit; the extent of working among spouses; the time for which people are without a job; the relative levels of unemployment benefit and supplementary benefit. Particularly significant factors in the situation are the high incidence of unemployment among young people who have not yet acquired an adequate national insurance record; the increase in long-term unemployment - extending beyond the one year for which unemployment benefit is paid; and the fact that reductions in contributory benefit, necessary to reduce overall public expenditure, have not been accompanied by corresponding reductions in the supplementary benefit rates. The extent to which those who become unemployed have had low earnings and earlier periods of incapacity and/or unemployment is a further factor of some significance.

As successive Governments have accepted, and as experience since 1948 has shown, means-tested benefits do serve a useful purpose in enabling scarce resources to be directed to specific priority groups. But the trend towards a larger role for supplementary benefit in provision for unemployed people stems mainly from the interaction of the traditional benefit structure and the pattern of unemployment. The Government's economic policy is designed to secure a long-term reduction in the level of unemployment, in a healthier and more competitive economy. The work of the Employment and Training Services of the Manpower Services Commission improves the matching of job seekers to jobs, and enhances the ability of individuals to supply the skills that employers require. Training and retraining are important means of improving the employment prospects of young people and of those who would otherwise find it increasingly difficult to get back into work.

Only a combination of measures to extend the duration of unemployment benefit and substantially to increase its level would make a dramatic impact on numbers needing supplementary benefit. Such a combination of measures would, however, be of most value to those not entitled to supplementary benefit - such as some occupational pensioners and married women. (Paying unemployment benefit for an extra year, at the retirement pension rates, would, at 1981-82 benefit rates cost an extra £480 million, net of supplementary benefit savings, and would take off supplementary benefit (for that year) about 90,000 of the 300,000 unemployed people on supplementary benefit for more than one year.) Similarly, easing the by no means tough conditions of entitlement to unemployment benefit, perhaps by making it non-contributory, would not be of benefit only, or indeed mainly, to those unemployed young people who now have to rely on supplementary benefit. Substantial non-selective benefit increases, with corresponding increases in public expenditure would be inconsistent with the Government's overall economic policies and priorities.

The Committee has welcomed the Government's acknowledgement of the case for extension of the long-term supplementary benefit rate to long-term unemployed people. Additional help in this way will be given from this November by extension of the long-term rate to unemployed people over 60 who have been on supplementary benefit for over a year, and who cease to register for work. This change will of course, increase the amount of supplementary benefit paid to people who are unemployed.

Recommendation 18

The DHSS, in co-operation with other Government Departments, should devise a more flexible system of encouraging part-time work for the unemployed and disabled

The Department is looking at the various rules and the relationship between them with the Committee's views in mind. It will be aided in this by the Social Security Advisory Committee.

Though there is a lot of part-time employment in the economy, it is mainly undertaken by married women and by men over pension age. At a time of high unemployment when firms must look for maximum efficiency, any substantial increase in part-time work for people receiving incapacity or unemployment benefits would probably be at the expense of those now working part-time.

It would be unreasonable to expect that part-time work could make a contribution to the incomes of more than a small minority of people receiving social security benefits. Most of those getting sickness or invalidity benefit are simply incapable of work and could not do part-time jobs even if they were available. Most unemployed people want full-time work and have no prospect of part-time work. Benefit levels have to be considered on the basis that the beneficiaries will not have another, earned, source of income; not on the basis that they will.

Further, the costs of any change in policy have to be considered not only in terms of the effects on existing beneficiaries, but in terms of the new entitlement that would be opened to people who are at present not beneficiaries at all. At present, benefit is paid only to those who are looking for work, and are available for work, because they have no other overriding commitments. The low-paid full-time worker who is disabled, or the low-paid full-time worker who is representative of those most subject to unemployment, could well find the combination of benefit and part-time earnings more attractive than their existing situation. Thus incentive problems would be created; and in dealing with the consequences some new administrative measures - probably of a staff intensive nature would have to be devised.

Recommendation 19

The Secretary of State should encourage the Government to give even more serious consideration to the possibility of redeploying the existing costs of unemployment to the Government to create opportunities for people to take up work.

The Government will continue to look carefully at any scheme which seems to be both administratively feasible and to offer a cost-effective means of using more productively the money spent on benefit payments. The employment measures already announced by the Government involve a substantial increase in the resources devoted to training, work experience and employment, and to occupation through voluntary service for those who remain unemployed.

The Committee was led to this recommendation by considering the relatively low net cost to the Exchequer of job creation at the lowest rung in the NHS, after allowing for savings on benefits and other support for an unemployed family man. However the Department's evidence to the Committee showed that, in virtually all cases, there would be a net cost to the Exchequer from any additional bottom rung NHS job created to reduce unemployment, the amount depending on individual circumstances and extent of overheads.

In some circumstances job creation might be cost effective for the Exchequer (or individual employers) for example if additional staff substantially reduced overtime. The Department would expect Health Authorities to be fully alert to possibilities of this kind. But some overtime working is always necessary and more economical than engaging extra staff; where excessive overtime working occurs authorities are expected to reduce it without creating new posts.

As stated in the Government's evidence to the Select Committee on Employment, it is not a policy objective of DHSS to expand health services in order to create jobs. To create basic grade posts simply to provide employment could cause overmanning and run counter to the search for value for money and efficiency welcomed by the Committee and by the Public Accounts Committee in their recent (seventeenth) report on Financial Control and Accountability in the NHS.

The net cost of job creation would of course be lowest if recruitment is restricted to married men with non-working wives and two or more children, because benefit costs for these 'family men' are highest. Even so, the illustrative cost of £56 million for paid public service jobs for 250,000 unemployed people seriously understates the likely cost, quite apart from the potentially large costs of supervision, materials, superannuation and other fringe benefits. It seems improbable that recruitment could be restricted in this way or that those family men could be recruited on this scale. Given the actual previous earnings levels of unemployed people, and the actual incidence of benefit entitlement - both of which were over-estimated by Dr Mosley in his notes for the Committee - the net cost of employing 250,000 unemployed people on the basis postulated by the Committee would be over three times as large as the figure quoted and, if the net cost of any such scheme were to constitute additional public expenditure, this would tend to produce some offsetting reduction in employment elsewhere in the economy.

Recommendation 20

The DHSS Policy Strategy Unit should be asked to study the longer-term implications of high unemployment for the conditions attached to benefit receipt, and to consider alternative ways in which expenditure on unemployment might more constructively be used in those circumstances.

The response to Recommendations 18 and 19 points out that work is already going on in this area, and that initiatives have already been taken. The Department of Health and Social Security, in conjunction with other Government Departments, is continuing to study the longer-term benefit and other implications of a high level of unemployment.

Social Services File

B/F for MCS

9/11/81

PROFESSOR WALTERS

✓
cc: Mr. Ingham
Mr. Hoskyns
Mr. Wolfson
Mr. Duguid
Mr. Vereker

UNEMPLOYMENT, BENEFITS AND THE CHANGE FROM THE 1950s
TO THE 1970s

The Prime Minister commented against paragraph 3 of your
minute "An interesting exercise of their powers".

*B/F
in hand
with HES*
She has also commented that she would like the whole issue
to be opened up in the "Times" or "Guardian". She asks which
economist would be the best to do this.

I would be grateful for any ideas you or Bernard Ingham
might have on this.

Mus

7 December 1981



10 DOWNING STREET

PRIME MINISTER

Alan Walters' note on unemployment, benefits etc.

You looked at this last in July, 1980 (I attach the Chancellor's minute to you).

A CPRS study on Professor Minford's thesis that a 10% cut in benefits would lead to 1/2m. new jobs is on its way to the Chancellor's Committee, MISC 14. Shall I say that you want the issue discussed - possibly on the basis of the CPRS note if it proves to be any good - at an E meeting?

MCS

4 December, 1981.

Should like
to be opened up in the
Committee. Which
Committee would be
best? Not

3 December 1981

MR SCHOLAR

✓ P. 1.

ALAN WALTERS' MINUTE ON BENEFIT LEVELS

1. Alan's minute concludes that we should look again at imposing a ceiling on benefit levels.
2. I think this is a good idea. In putting it to the Prime Minister, you should perhaps relate it to a minute that the Chancellor sent to her on this subject on 15 July 1980. As you will see, he came down against any of the three options then identified for imposing a cut-off. But he also suggested that we return to this question later, in a wider context.
3. If the Prime Minister wants it looked at again, you could pick up this reference. You probably recall that on the Chancellor's initiative, MISC 14 will shortly be considering the scope for measures to reform the labour market. This would be one quite suitable forum in which the Chancellor could raise this subject shortly.
4. There is a slight difficulty about the timing of any note from here on this subject. The CPRS have been asked to give a view on the Minford thesis that a 10% cut in benefits could lead to an increase in employment of 500,000 over two years. John Rickard in the CPRS is co-ordinating a note, in which we have been involved. I expect this will arrive within the next week or so, but am unable to check tonight. Ideally, a request to look again at a benefit ceiling should follow the CPRS note that has already been commissioned.

X

Mr Scholar ✓

ANDREW DUGUID

The CPRS work of X will also be taken at the MISC 14 meeting, so paragraph 3 does still stand.

✓
4/12.

Prime Minister

3 December 1981

2

MUS 4/12

ALAN WALTERS

PRIME MINISTER

UNEMPLOYMENT, BENEFITS AND THE CHANGE FROM
THE 1950s TO THE 1970s

1. You have frequently asked what were the changes between the 50s and the 70s which gave rise to first a high level of unemployment in the 70s compared with the 50s, and secondly the fact that additional demand seems to have a much smaller effect on unemployment and a much greater effect on inflation in the 70s compared with the 50s.
2. One of the reasons, and I think it is a very important one, has been the structural adjustments that have been required in the 70s in response to the two oil price shocks. But this has always been not entirely convincing since we know that the inadequacy of demand management measures had already appeared in the mid-1960s. Unemployment started rising then and we first slipped into the familiar pattern of stagflation in the latter half of the 60s. So there must be at least some explanation apart from the two oil shocks. And any such explanation must be associated with the fact that real wages were somehow kept above their equilibrium level by some artificial pressure.
3. Many people believe that this pressure is exerted primarily by trade unions. But since they exerted the pressure also in the 50s, in order to adduce unions as the culprit one must argue there has been increasing unionism and increasing union power in order to explain the increasing effect on real wages. There is some evidence of this, but it is not substantial enough to explain the very considerable changes involved. *An increasing exercise in their power.*
4. Another explanation arises from the increase in the income of those who are unemployed, relative to the income they would have got in a job. Figures from the DHSS show that the incomes of unemployed people in real terms increased between three and four times over the period 1951-1971. And the ratio of unemployed income to employed income increased between two and three-fold.
5. The effect of this increase in the incentive to be unemployed is two-fold. First there is the supply side effect or as Ralph Howell calls it the "Why Work?" effect. We know that there are between

5 and 10% (ie 1.2 to 2.4 million) of people who are better off on the dole than working. (From the 1980 survey, a preliminary figure.) This would compare with a very much lower percentage in 1951 which I conjecture would be less than 1%.

6. The second effect, and by far the most important, is that the higher benefits will result in a much higher real wage for the kinds of workers who are affected. Employers will find that they can get virtually no labour if they offer jobs at wages below, say, some £90 a week. Employers would be out-bid by the benefits offered. Vacancies would decline because employers would know that there would be no takers at wages less than benefits. Consequently the high benefit level, reinforced by trade unions and wages councils, drives up the real wage of the low productivity job and so eliminates many of them.
7. Then one would expect that increments of demand in the 1970s would have a much smaller effect in increasing employment and mopping up the unemployed, than they did in the 1950s. Demand pressure in the 1970s would be manifest more in price than in output. And this would be the case in spite of the low unemployment in the 1950s compared with the 1970s. This explanation certainly seems to be consistent with the phenomena we have observed in the last two or three decades.

REAL BENEFITS (NOV. 1980 PRICES)				
Married Man with two children			Single Man	
	U.B £	S.B £	U.B £	S.B £
1951	21.9	21.9	9.6	9.6
1961	33.8	40.2	15.2	20.1
1971	67.3	53.6	42.5	27.9
1980	58.1	62.3	33.3	30.4

Columns 1 and 3 - real value of Unemployment Benefit plus ERS entitlement on average male manual earnings plus family allowances/child benefit.

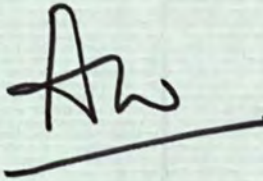
Columns 2 and 4 - real value of Supplementary Benefit entitlement including housing additions.

REPLACEMENT RATIOS (NOV. 1980 PRICES)				
Married Man with two children			Single Man	
	U.B £	S.B £	U.B £	S.B £
1951	0.36	0.36	0.19	0.19
1961	0.44	0.53	0.24	0.31
1971	0.78	0.62	0.57	0.38
1980	0.59	0.57	0.39	0.35

Columns 1 and 2: Standard rate of unemployment benefit plus Earnings Related Supplement (ERS) plus family allowances/child benefit / Net weekly income of male manual workers after deducting tax and National Insurance contributions, but including family allowances/child benefit.

8. Since 1971 the ratio of unemployment benefits to income has decreased (this is largely due to the decline in ERS entitlements). But the ratio of supplementary benefits to income has increased. It is not entirely clear what will happen in 1982, but it is likely that there will be some increase in the ratio, as the indexing impinges on supplementary benefit, and as taxes are introduced on these emoluments. It seems likely that the "Why Work?" pressure has become greater rather than less.
9. There are several policy options for dealing with this phenomenon. Probably the simplest and most acceptable one is to put a ceiling or cap on the benefit package. Thus one might limit the benefits to 90% of the applicant's previously earned net income. One could allow this limit to be exceeded but only by imposing some stringent tests of need, etc. Apparently this ceiling method has been used successfully in other countries, but has not found favour in the UK. However, the pressure of benefits on real wages are so high now that it is worth reconsidering.

cc Mr. Hoskyns
Mr. Wolfson
Mr. Scholar
Mr. Duguid
Mr. Vereker


ALAN WALTERS

Bratton

FILE

CONFIDENTIAL

ds



10 DOWNING STREET

From the Private Secretary

2 March 1981

Da Th.

Taxation of Social Security Benefits

The Prime Minister has considered the Chancellor's minute of 27 February on the above subject, and is content with his proposals.

I am sending copies of this letter to Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

h w
Th.

John Wiggins, Esq.,
HM Treasury.

CONFIDENTIAL

ds



✓ Mr Deputy
Mr Holt

Treasury Chambers, Parliament Street, SW1P 3AG with Mr Price,
01-233 3000

Content with
these proposals which
have been agreed

Mr Jenkins and
the Lt President?

PRIME MINISTER

M

P
271

TAXATION OF SOCIAL SECURITY BENEFITS

In my Budget statement last year I stated our intention, in fulfilment of the manifesto commitment, to bring into tax benefits paid to the unemployed and to strikers with effect from April 1982. Before we legislate for this in the coming Finance Bill, I should report to you where we now stand.

2. Benefits paid to the unemployed.

With rising unemployment the start of taxation in 1982 may be jeopardised by a temporary shortage of computer capacity and the serious problems which would flow from having to handle a lot of claims manually. After careful examination of the conflicting considerations and discussion with the Secretaries of State for Employment and the Social Services and the Lord President, I have come to the conclusion that the risk is not such as to outweigh the substantial revenue yield expected for 1982-83 (about £m400), and I have therefore decided that we should continue with our plans for a 1982 start. It would be possible up to July to alter that decision (and defer to 1983) in the light of further developments; but after July the preparations for a 1982 start will make it very difficult to abort. The question now is whether in the Finance Bill we should specify the date of April 1982, recognising that we might be forced to change to April 1983 (which we could do

/by amendment



by amendment at Report Stage), or whether we should legislate to take effect from "an appointed day", which we should fix by Order in the Summer. Specifying the date might involve some loss of face if we had subsequently to defer; but deferment would be justified on administrative grounds, that is to say, unavoidable delay in the development of computer capacity. The "appointed day" method would introduce uncertainty and unnecessary confusion, in the light of last year's statement that taxation would take effect from 1982. I have no doubt therefore that the Finance Bill should specify the date of 6 April 1982.

3. Strikers

The Finance Bill will provide that with effect from 6 April 1982 -

- (i) supplementary benefit paid to strikers on account of their families will be taxed, tax being recovered after the end of the relevant tax year;
- (ii) tax refunds will be withheld from all strikers (whether or not they claim benefit) until after the end of the strike;
- (iii) benefits paid to the temporary stopped - workers on short-time or laid-off - will also be brought into tax.

You will recall that we discussed early last year some of the problems involved, in particular, the fact that deferring a tax refund can increase a striker's entitlement to supplementary benefit. But we have found no defensible method of taking account of this, and I have concluded that we should go ahead

/on the basis



on the basis which I have described. The colleagues to whom I am copying this minute agree.

4. Incapacity benefits

I also said in last year's Budget statement that we were considering how best to bring into tax at an early date the remaining short-term benefits (chiefly, sickness benefit and maternity benefit) and invalidity benefit. We find that the administrative difficulties and the manpower requirements are such that we must defer this for the time being. It was the intention, through the Employers' Statutory Sick Pay Scheme, to bring the bulk of payments to employees for sickness into tax in this way with effect from 1982; but, as you know, we have had to defer this for further examination of the arrangements.

5. Conclusion

We shall be introducing legislation in the Finance Bill to bring into tax from 1982 benefits paid to the unemployed and to strikers. This will be followed by consultation with employers over the administrative details which will then be incorporated in Regulations. Before the legislation is introduced I seek your agreement to -

(i) specifying the date of 6 April 1982 for the unemployed (as well as for strikers) for the reasons given in paragraph 2 above; and

(ii) dealing with strikers as at paragraph 3 above.

6. I am copying this to the Secretaries of State for Employment and the Social Services and the Lord President and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.'.

(G.H.)

27 February 1981



~~MAP~~
MAP (0/12)

to see

MS
7/10

With the Compliments of
the Private Secretary to
the Secretary of State

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House
Elephant and Castle
London, S.E.1.

Mike,

Standard letter
as requested.

Jenny Middleton 3/10/80



Social Security

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

I enclose a copy of a summary of the main proposals for a statutory sick pay scheme. A green Paper entitled "Income During Initial Sickness: A New Strategy" (Command 7864), was published last April to set out the background to these proposals and the considerations involved.

There are three main reasons why the Government has put forward these proposals now. First, they will result in the majority of payments made during sickness becoming taxable. This will, in turn, make the job of taxing other incapacity benefits that much more feasible in the next few years. Taxing benefits is an essential part of the Government's policy on incentives; it is quite unacceptable that someone should get more out of being off work than in it.

Second, the scheme will reduce public expenditure by some £400 million. This will make a very worthwhile contribution to the achievement of the Government's aim of substantially reducing public expenditure - essential if the rate of inflation is to be brought down, interest rates cut, and incentives restored so that people can appreciate in real terms the benefits of hard work. Social Security expenditure is very high, too high for the country to afford at present, and the Green paper proposals are one way of cutting it. That is why the scheme is a crucial one to the regeneration of a strong economy.

Third, the Government expects a saving of about 5,000 civil servants posts to result from the scheme, many of which are concerned with doing jobs that private industry has already accepted as appropriate to them. As the Green Paper points out, a large and evidently growing sector of the business world is now

ENCS

providing income during sickness for employees. Some employers apparently find the complexities of juggling with two inter-related schemes operating side by side time-consuming and wasteful; they would prefer to do the whole job themselves. The tasks of central Government must be reduced, and such duplication of effort avoided. Streamlining the system is essential.

We are mindful, nevertheless, of the difficulties some employers - particularly the smaller ones - may face, and the Green Paper pays close attention both to their needs and to the extent of the help to be made available to them. We propose to ease their lot in two principal ways: by underwriting their increased wage bill costs as a group through a measure of reimbursement, and by keeping the eventual scheme as simple as possible to understand and operate. These are areas in which we are seeking the views of those most closely concerned.

Primary reimbursement would be made through a general reduction in the rate of the employers' national insurance contribution, without regard to the individual employers' actual outlay. The estimate mentioned in the Green Paper that employers' wage bills could rise by about £415 million overall would be more than offset by the suggested reduction of 0.5 per cent in the contribution. On the basis of figures supplied by the Government Actuary in another connection, a variation of one quarter per cent in the rate affects income for the National Insurance Fund by close to £250 million. Secondary reimbursement would, however, be related directly to the sick pay paid to new employees. The figures are quoted simply as a guide to help the discussion, and much depends upon the final shape of the scheme and the amounts involved at the time of its introduction.

The Green Paper contains many talking points, and we intend to weigh very carefully the reactions of all sections of the community before putting forward legislation. The views and comments now coming in will all contribute towards the overall picture now emerging from the vital consultation stage of these proposals.

SUMMARY OF THE MAIN PROPOSALS IN THE GREEN PAPER "INCOME DURING INITIAL SICKNESS: A NEW STRATEGY" (COMMAND 7864)

The main proposals for a statutory sick-pay scheme are:-

- (i) entitlement to continuing wages during sickness should be conferred on all employees for whom national insurance contributions are payable, (other than married women and widows who have opted to pay the reduced contributions);
- (ii) though there would be no payment due for the first three days of any spell of incapacity, employers' sick-pay would last for up to eight weeks in any tax year after which title to national insurance benefit would begin;
- (iii) the minimum amount of sick-pay should - subject to 'waiting days' - be £30 a week if it were replacing the present (November 1979) sickness benefit rates; but
- (iv) a low earner who falls sick should have a statutory entitlement to a proportion of normal earnings instead of the £30 flat-rate;
- (v) employers' national insurance contribution liability should be reduced by an amount broadly reflecting their collective liability for extra wage costs;
- (vi) within the total available for compensating employers, they would be entitled to claim a direct re-imbursment of one-half of the sick-pay disbursed to employees with less than eight weeks' service;
- (vii) on balance, it would not be appropriate to treat small firms differently from other employers by allowing a further re-imbursment provision for very small firms;
- (viii) decisions about entitlement to sick-pay should be taken on the basis of doctors' advice concerning incapacity for work and, as far as possible, within the rules of sick-pay schemes which are negotiated by the employer and employees concerned.

The Government would welcome comments on these proposals and on the following questions:-

(i) should there, after the first fortnight of sickness, be a higher minimum rate of sick-pay for employees with dependent children than is available in general?

(ii) how should the normal pay of low earners be defined, and is 75% of ~~sick~~^{Sock} pay an appropriate level for their sick-pay entitlement?

(iii) ought it to be open to sick-pay schemes to seek advice on individuals' capacity for work from the DHSS Regional Medical Service?

(iv) would it be more appropriate for Industrial Tribunals or national insurance tribunals to resolve disputes between sick-pay schemes and their members in which statutory entitlement to benefit is at issue?

Comments on these and other matters should be sent to the office of DHSS (Branch A3) at Room A516, Alexander Fleming House, Elephant and Castle, London SE1 6BY. It would be helpful if they could be received by 30 September 1980.



DEPARTMENT OF HEALTH AND SOCIAL SECURITY
ALEXANDER FLEMING HOUSE
ELEPHANT AND CASTLE
LONDON S.E.1
TELEPHONE: 01-407 5522 Ext 6576

16 September 1980

Mr B Ingham
Press Secretary
10 Downing Street
SW1

~~C. D. Vereker~~
~~Not Done yet~~
~~D. Langford~~
O. Nelson

B.

Dear Bernard

As I think your office has already been warned, the Supplementary Benefits Commission publishes its final Annual Report on Thursday. The Commission is of course being abolished and we anticipate that its Chairman, Professor David Donnison, will take the opportunity to air some of his personal and critical views at the Commission's Press Conference at 2.30 on Thursday afternoon.

The burst of attention which the Report may get in Friday's newspapers may well prove to be a temporary embarrassment for Ministers, adding as it will to current criticism of economic strategies - and especially their effect on the poor.

Much of the Annual Report of the Commission is balanced and uncontroversial and some of it is even helpful to the Government. Not surprisingly, however, the Commission have not missed the chance of a last fling over some features of current policies which they dislike. Professor Donnison's Press Conference is therefore likely to be dominated by his criticism of the loss of value of child benefit, the 5% cut in short-term benefits, the level of unemployment and the failure to give the long-term rate to the unemployed, and finally, the impact of policies on the lowly paid worker.

It has not been customary for us to issue responses to previous SBC Reports and I very much doubt whether we shall depart from this practice this week. The Commission is of course independent and there is nothing we can or should do to suppress the criticisms which we know will come from the Commission in its final fling on Thursday.

I am copying these comments to Richard Prescott in case he wishes to alert PMG to this forthcoming element of irritation.

Best wishes

Yours sincerely

NEVILLE TAYLOR



PH
cc. DASS
Social Security
Jow

10 DOWNING STREET

THE PRIME MINISTER

2 September 1980

Dear Ralph,

Thank you for your letter of 1 July about Lynda Chalker's reply to your Parliamentary Question on 18 June.

You drew my attention to the figures in table A2 showing that, without earnings-related supplement, a family with previous earnings of £45 a week appeared to be £7 better off in unemployment than a family with previous earnings of £65 or more a week. This results from the assumption on which (among others) the tables in the reply were based, that family income supplement (FIS) continues for the first six months of unemployment. It is FIS which makes the difference between the incomes of the families on flat-rate unemployment benefit in Table A2; once FIS came to an end - which could in practice be at any time in the first year of unemployment - their incomes would be the same.

The rule that FIS lasts for a year regardless of changes of circumstances does indeed sometimes lead to an anomaly of this kind, but there are other circumstances in which the rule has advantages for the recipient. It is especially important in mitigating the effects of the poverty trap, because a person who obtains a pay rise while receiving FIS does not have his benefit reduced straightaway.

You also mentioned the fact the family whose net spending power, including flat-rate unemployment benefit, was £43.90

/ would

JSS

would be below its supplementary benefit level and would need supplementary benefit. If such a family claimed supplementary benefit it would not be paid in addition to all the other benefits listed in the table. In practice the supplementary benefit would be paid instead of rent and rate rebates. Supplementary benefit is always available as a last resort for those who cannot work full-time and whose incomes, whether from national insurance benefits or other sources, are inadequate for their needs. It would of course be impossible to set national insurance benefits - flat-rate or earnings-related - at levels which met everyone's needs when housing costs and other family circumstances can vary so greatly.

It is true that the abolition of the earnings-related supplement and the other changes in national insurance benefits under the Social Security (No.2) Act 1980 will lead to some increase in the numbers claiming supplementary benefit. But as you know these changes are necessary in order to achieve much-needed savings in the cost of social security benefits, and they will also help with work incentives. At the same time we are continuing to protect the poorest families through the supplementary benefits scheme.

*Y
Lansdown
Raggs*

Ralph Howell, Esq., M.P.



10 DOWNING STREET

Prime Minister
Now amended
as you asked.

PRIME MINISTER

MAP 1/1x.

You still owe Ralph Howell a reply to his letter of 1 July, which led to your suggestion that the FIS 52-week rule might be changed for those who become unemployed.

I have changed the original draft a little, so as not to be quite so enthusiastic about the rule. I attach the revised draft, with which I hope you will be content.

MJS

One sentence
deleted

28 August 1980

Ralph



10 DOWNING STREET

From the Private Secretary

26 August 1980

FAMILY INCOME SUPPLEMENT AND THE UNEMPLOYED

The Prime Minister has seen your Secretary of State's minute of 14 August. She is content to accept, for the time being, that the 52 week run-on rule should be kept as it is. She has commented, however, that she does not agree that changing the rule for the unemployed would make it more difficult to retain it for all other cases. She has noted that your Secretary of State's minute is based on the assumption that there would be pressure for further changes, and that it therefore is largely addressed to questions which she did not put.

N. J. SANDERS

Don Brereton, Esq.,
Department of Health and Social Security.

KRF

PRIME MINISTER

*Accept it at present. But the
remits largely upon the question
hasn't it? I am not suggesting
the 52 week rule be changed for
those in work. No - do I suggest
that would be measure to*

The scale of the problem is very small,
but it is real. Content to accept Mr Jekin's

PRIME MINISTER

do so. MS.

advice, give the balance between the practical
effect of a change and the political cost (victimising
the poorest families of all and so on)?

You asked for my reactions to your suggestion that payments of
family income supplement (FIS) should cease if the recipient
becomes unemployed.

MS

22/8

I should prefer to keep the present 52 week run-on period as
it is. We have it, as you know, for two reasons. One reason is
that it mitigates the effect of the poverty trap, since it leaves
recipients with an incentive to earn more. It also has the
advantage of providing them with a more stable income. Of course,
the higher earnings are taken into account when the 52 week period
is up and a further claim for FIS made. But our experience has
been that the run-on period works well, part of the reason being
that the annual uprating of FIS means that only with larger than
usual increases in earnings would the FIS award be reduced. The
other reason is that it helps to keep the scheme simple to understand
and to administer. For a means-tested scheme, it is pretty simple
and very economical indeed: only about 120 staff at the FIS office
at Poulton-le-Fylde for nearly 90,000 cases. The run-on rule is
a major factor in keeping the scheme simple: taking account of
changes in circumstances would make a big difference.

Withdrawing FIS from those who became unemployed would not, of
course, mean scrapping the 52 week run-on period altogether. Only
a small minority of cases would be affected. Nonetheless, once
we breached the rule, it would be more difficult to retain it for
all other cases. We should be pressed to review FIS awards, for
example, where earnings dropped. And the more the rule were
breached, the more we should whittle away the valuable simplicity
of FIS and add to administrative costs.

No

Simplicity and economical administration are not, I accept, decisive
considerations. If permitting a FIS run-on for the unemployed were
substantially distorting the incentives picture, then I should
amend the rule. However, that does not seem to be the case.



(a) The numbers involved we judge to be small: we cannot be absolutely precise, but something between one per cent to two per cent of those on FIS seems likely.

(b) Even with FIS, out of work income is significantly lower than in work income, as the attached table shows. (The table takes account of the fact that the earnings related supplement to unemployment benefits is to go.)

(c) Payment of FIS only continues for a limited period. It would not be renewed until the family was back in work.

(d) In practice, only a minority of those unemployed who continue to receive FIS are better off as a result. This is because most of the families we are talking about can be expected, when unemployed, to claim supplementary benefit. If they do, the FIS in payment is deducted from the supplementary benefit otherwise payable. So the family does not finish up with a higher income.

This would not always be the case, because some families with very low earnings would be marginally better off on unemployment benefit plus FIS (and child benefit etc.) than on supplementary benefit. The attached table shows how this could happen. But, as always with hypothetical examples, it depends heavily on family circumstances. For example, with older children, higher rents or a mortgage, all the families on the table could be better off on supplementary benefit.

Altogether, I believe the balance of arguments favours keeping the 52 week run-on rule as it is.

13/8/76

(Approved by the Secretary of State and signed in his absence).

PATRICK JENKIN

16 August 1976

COMPARISON OF IN WORK AND OUT OF WORK INCOME as at November 1980*

	<u>IN WORK</u>		<u>OUT OF WORK</u>			
	Previous earnings £	Total income support** including FIS £	Unemployment benefit*** £	FIS £	Total income support without supp. ben. £	Supp. ben. £
married couple with 2 children aged 4 and 11	55	63.78 (including £9.50 FIS)	33.90	9.50	58.31	57.61
	65	63.45 (including £4.50 FIS)	35.90	4.50	53.31	57.61
	75	60.45 (no FIS)	35.90	Nil	46.56	57.61
lone parent with 2 children aged 4 and 11	55	65.79 (including £9.50 FIS)	21.90	9.50	47.31	44.31
	65	65.61 (including £4.50 FIS)	21.90	4.50	42.31	44.31
	75	62.76 (no FIS)	21.90	Nil	34.40	44.31

Note

* This table is based on the position as it will be in November 1980 when the higher rates on FIS come into effect. It also takes into account the fact that earnings related supplement will be abolished in 1982.

** after payment of average rent and rates

*** excludes earnings related supplement, because ERS will go in 1982 || *this is a bit of a fiddle, in my view*

MS

9 AUG 1980



... enclosure ...

... of ...

If also taken into account the fact that ...

...

...

...

32	30.00 (no VAT)	31.00	31.00	31.00	31.00	31.00
33	32.00 (no VAT)	32.00	32.00	32.00	32.00	32.00
34	33.00 (no VAT)	33.00	33.00	33.00	33.00	33.00
35	34.00 (no VAT)	34.00	34.00	34.00	34.00	34.00
36	35.00 (no VAT)	35.00	35.00	35.00	35.00	35.00
37	36.00 (no VAT)	36.00	36.00	36.00	36.00	36.00

...

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Ann Amista Sec 2



This dispute will
have to be resolved
when the future studies
on work incentives
are finished in the
autumn.

PRIME MINISTER

ms

BENEFIT LIMIT

File A

I am sorry to protract this three-cornered correspondence but I feel I must comment at once on what the Chancellor says in his minute of 31 July about supplementary benefit children's rates. The particular rates he has quoted are those which we are deliberately increasing as part of the Government's reform of the supplementary benefit scheme and were approved by colleagues last year. We are currently taking credit for giving this badly needed additional help to the poorest families, the great majority of them, as the Chancellor says, not in the "incentives" target area. For instance, two-thirds of the families concerned are one-parent families, and a significant number of the rest are families where the 'breadwinner' is disabled. Child poverty is a potent rallying cry, among our supporters as well as our opponents, and I think we must be very careful about anything that looks like attacking poor families with children.

PL

578

There are several reasons for the difference between child benefits and the supplementary benefit children's rates. Primarily, child benefit is intended only as a contribution towards the costs of bringing up a family. The SB children's rates are intended to cover the full cost. It must also be remembered that child benefit is a flat rate benefit (except for the lone parent premium), whereas the SB children's rates are age-related. One reason for the widening gap this November, of course, is that we have not been able to price-protect child benefits. We have price-protected the supplementary benefit rates, but even so there are serious professional doubts about their adequacy.



I am, of course, entirely ready to discuss these matters with the Chancellor when officials have carried out the studies on work incentives to which he refers, but I am quite sure that we should not come to any conclusions at this stage about what we should do with the supplementary benefit children's rates at the 1981 uprating.

I am copying this to members of E Committee, Sir Robert Armstrong and Mr Ibbs.

1 August 1980

PJ

Approved in draft by
the Secretary of State.
David Jenetz
1.8.80

CONQUEROR

CONDINGIOL

-1 AUG 1980

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CONFIDENTIAL



SS

10 DOWNING STREET

From the Private Secretary

1 August 1980

Dear Don

The Prime Minister has seen the note you sent to me about the payment of FIS to the unemployed.

The Prime Minister has commented that, in her view, FIS payments should cease if the recipient becomes unemployed.

I think at this stage that it would be helpful if you could let us have your Secretary of State's reactions to this suggestion.

I am copying this letter to Richard Dykes (Department of Employment), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

Yours ever

Nick Saden

Don Brereton, Esq.,
Department of Health and Social Security.



Prime Minister

2

To note at this stage.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PL

31/7

PRIME MINISTER

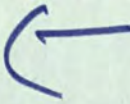
mb

BENEFIT LIMIT

Flag A

The Secretary of State for Social Services sent me a copy of his minute to you commenting on my minute of 15 July.

2. I have asked my officials to put in hand, in conjunction with officials of interested Departments, further work on the level of social security benefits notably in the context of work incentives, on the lines I suggested and you have endorsed. There is however one matter raised in the Secretary of State's minute which I should like to comment on now. This concerns the question of holding back supplementary benefit childrens scale rates. I appreciate the Secretary of State's concern. But it seems to me to be indefensible, in terms of the current economic position and particularly our work incentives policies to let the differential between the scale rates and child benefit continue to grow. Since we came to office, a combination of complete price protection of scale rates, restructuring of the scale rates themselves, and a 75p increase this November in child benefit has led to startling increases in the gap. Thus for 11 to 12 year olds, the excess in May 1979 was £2.55, while in November



/1981 - assuming a



1981 - assuming a 10 per cent uprating of child benefit and of childrens scale rates - the excess will be £6.35 per week, an increase of £3.80. For under 5's the excess will go from 40p per week to £2.55 per week, an increase of £2.15 per week.

3. These are big differences and big increases. I note what the Secretary of State says about the need to preserve our record on the supplementary benefit scheme, and I am aware also that many of those on supplementary benefit are not in the "incentives" target area. But to my mind there is cause for concern in a system which produces growing differentials of this order, and this is one of the things which we must consider when we have the further work we have commissioned from officials.

4. Meanwhile, even if nothing else can be done, I think there would be a strong case in November 1981 for holding back the supplementary benefit scale rate increases at least so as to provide that the cash differential between these rates and child benefit which will exist at November 1980 does not increase.

5. I am copying this minute to Members of E Committee, the Secretary of State for Social Services, Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

G.H.

31 July 1980

31 JUL 1980



COMPUTER



10 DOWNING STREET
PRIME MINISTER

When you saw the attached draft to Ralph Howell, MP you asked why FIS could continue to be paid to someone who was unemployed.

The answer is contained in the note from the DHSS at Flag A. In a nutshell, FIS is paid for 52 weeks notwithstanding any change of circumstances, including the loss of a job.

Yes, I know but MS
there that is wrong.

30 July, 1980

It should be for
a year ^{so long as} the man
is still employed not.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

PO 2715/511

Nick Sanders Esq
Private Secretary
10 Downing Street
London SW1

28 July 1980

Dear Nick.

Thank you for your letter of 23 July about the draft we provided for the Prime Minister to send to Ralph Howell MP.

I enclose as requested a note for the Prime Minister explaining the rules under which FIS is paid to the unemployed.

*Yours ever
Berni M*

B MERKEL
Private Secretary



FAMILY INCOME SUPPLEMENT (FIS) AND THE UNEMPLOYED

Note for the Prime Minister

1. A family man (or lone parent) can qualify for family income supplement (FIS) only if he is in full-time work. So FIS cannot be awarded to anyone who is unemployed when he claims. Once FIS has been awarded, it continues in payment for 52 weeks and is not affected by any change of circumstances. So it is possible for a man to lose his job but to continue receiving the rest of his 52 weeks' FIS.

2. This 52 weeks' rule is an essential feature of FIS. Ministers rely on it as a main defence against the recurring criticism of the effects of the poverty trap. It saves staff - DHSS can run FIS on a shoestring.

3. As changes of circumstances do not have to be reported and unemployment benefit is not affected by FIS, we do not know how many unemployed parents are drawing the remainder of their 52 weeks' FIS awards. (It is just possible that some information may emerge from the analysis of the Cohort Study of the Unemployed). But we think the number is relatively small.

4. There is some support for this view from the (November 1979) figures of unemployed people on supplementary benefit - about 515,000, of whom only 1000 (0.2 per cent) were drawing FIS. (Altogether there were 1,300,000 registered unemployed, of whom 390,000 were drawing unemployment benefit without supplementary benefit).

Branch L1, DHSS

25 July 1980



Caxton House Tothill Street London SW1H 9NA

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A J Wiggins Esq
HM Treasury
Great George Street
London SW1

28 July 1980

Dear John.

Ry 1/1

BENEFIT LIMIT

My Secretary of State has seen a copy of the Chancellor's minute to the Prime Minister of 15 July and the letter from Tim Lankester of 21 July.

He has asked officials here to look at some of the issues raised in the Chancellor's minute from the point of view of the labour market and to be ready to take part in any wider review.

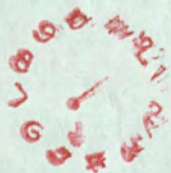
I am sending copies of this letter to the Private Secretaries to the members of E, and to David Wright (Cabinet Office), and Gerry Spence (CPRS)

Yours etc

Richard Dykes

R T B DYKES
Principal Private
Secretary

26 JUL 1980



Prime Minister 2

GC Holtby



Mr Jenkins has reservations about the possibility of further measures to cut back short-term benefits.

PRIME MINISTER

BENEFIT LIMIT

mt

Play A

The Chancellor sent me a copy of his minute to you of 15 July.

12 2577

I agree with his conclusion that it is not possible to devise a satisfactory benefit limit which does not complicate matters and produce administrative expense. I also accept that we need to continue to examine this problem of work incentives. But may I just record a degree of reservation at the emphasis which the Chancellor places on this? Whatever further steps we consider, we must remember that we have already taken some pretty drastic steps, in the interest of sharpening incentives, over the level of short-term benefits and the abolition of earnings-related supplement. The impact of these has not yet been felt: but it will be biting pretty sharply by the time any further measures we might contemplate could come into effect. And this will be at a time when the level of unemployment is bound to be very high.

Against that background I should be particularly concerned over the suggestion that the supplementary benefit children's rates might be held back. I fear this would put us in the worst possible light, in terms of our commitment so far to maintain the supplementary benefit safety net, and our manifesto undertaking to bring more effective help to those in greatest need. The evidence is that it is families with children where the breadwinner is on benefit or getting very low wages that we should be most concerned about. We ought not to give our opponents any room to challenge our record on this score.

We should also bear in mind that by 1982, unemployment benefit will be taxed, including supplementary benefit paid to the unemployed. That will go a long way to meeting our objectives on the "Why Work?" syndrome.

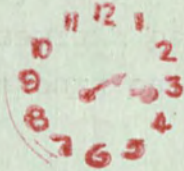
I am copying this to members of E Committee, Sir Robert Armstrong and Mr Ibbs.

PJ

PJ

25.7.80

25 JUL 1980





Mr. R. HOWELL
(Earnings)

10 DOWNING STREET

From the Private Secretary

23 July, 1980.

Close pls.

Nick is happy to
wait until Monday.

coming today
28/7 RL

Your Department supplied us with a draft reply for the Prime Minister to send to Ralph Howell, M.P., who had written to the Prime Minister on 1 July about the gap between earnings in and out of work.

The Prime Minister has asked for details on how it is possible for FIS payments to continue during unemployment. She had not been aware of the extent to which FIS was paid to the unemployed.

I should therefore be grateful if you could let me have a short note, by the end of this week, explaining the rules under which FIS is paid to the unemployed, and giving some idea of the number of cases involved.

N. J. SANDERS

Don Brereton, Esq.,
Department of Health and Social Security.

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**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

P02715/487

Nick Sanders Esq
Private Secretary
10 Downing Street
LONDON SW1

21 July 1980

Dear Nick

Thank you for your letter of 4 July to Don Brereton enclosing a copy of one that the Prime Minister had received from Ralph Howell MP.

I enclose as requested a draft reply together with a background note for the Prime Minister.

Yours sincerely

B MERKEL
Personal Secretary

Enc

Background Note

Mr Howell's letter to the Prime Minister arises from a Parliamentary Question in which he sought figures illustrating the effect on spending power of changes in the national insurance scheme including the abolition of the earnings-related supplement to short-term benefits. A copy of Mrs Lynda Chalker's full reply is attached.

Mr Howell's comments are related to table A2 in the reply, which shows the incomes of unemployed people when no earnings-related supplement is payable. As stated in the body of Mrs Chalker's reply, this table does not show the actual or relative incomes of beneficiaries in 1982, when the supplement will end, since benefit levels will change before that; instead it shows what their incomes would have been in November 1979 without the earnings-related supplement.

As the Prime Minister will know, Mr Howell is campaigning for a restructuring of the social security and tax systems under the banner 'Why Work'. He has latched on to the two points he asks the Prime Minister to consider, as a means of keeping up the momentum of his campaign. The first one results from the run-on of FTS regardless of changes of circumstances, and he is well aware of the existence of this rule and the reasons for it. The second appears to be little more than a complaint that a family with only flat-rate national insurance benefit (and child benefit) may need supplementary benefit. This, as he also knows, has always been the case because supplementary benefit, unlike national insurance, is intended to meet individual needs including housing costs and the requirements of children of different ages.

SUGGESTED REPLY

BR
for MP
at 6

Thank you for your letter of 1st July about Lynda Chalker's reply to your Parliamentary Question on 18 June.

You drew my attention to the figures in table A2 showing that, without earnings-related supplement, a family with previous earnings of £45 a week appeared to be £7 better off in unemployment than a family with previous earnings of £65 or more a week. This results from the assumption on which (among others) the tables in the reply were based, that family income supplement (FIS) continues for the first six months of unemployment. It is FIS which makes the difference between the incomes of the families ^{on} ~~as~~ flat-rate unemployment benefit in table A2; once FIS came to an end - which could in practice be at any time in the first year of unemployment - their incomes would be the same.

The rule that FIS lasts for a year regardless of changes of circumstances may sometimes lead to an apparent anomaly of this kind, but in spite of this the advantages of this rule greatly outweigh its disadvantages. It is especially important in mitigating the effects of the poverty trap, because a person who obtains a pay rise while receiving FIS does not have his benefit reduced straight away.

You also mentioned the fact the family whose net spending power, including flat-rate unemployment benefit, was £43.90 would be below its supplementary benefit level and would need supplementary benefit. I was rather surprised that you described this as "bureaucratic madness". If such a family claimed supplementary benefit it would not be paid in addition to all the other benefits listed in the table. In practice the supplementary benefit would be paid instead of rent and rate rebates. Supplementary benefit is always available as a last resort for those who cannot work full-time and whose incomes, whether from national insurance benefits or other sources, are inadequate for their needs. It would of course be impossible to set national insurance benefits - flat-rate or earnings-related - at levels which met everyone's needs when housing costs and other family circumstances can vary so greatly.

It is true that the abolition of the earnings-related supplement and the other changes in national insurance benefits under the Social Security (No 2) Act 1980 will lead to some increase in the numbers claiming supplementary benefit. But as you know these changes are necessary in order to achieve much-needed savings in the cost of social security benefits, and they will also help with work incentives. At the same time we are continuing to protect the poorest families through the supplementary benefits scheme.

CONFIDENTIAL



10 DOWNING STREET

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cc HO MAF
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LPO CST
DIBnp CO
CPRS

Gen Pd JD

From the Private Secretary

21 July, 1980.

The Prime Minister has read the Chancellor's minute of 15 July about the possibility of a cut-off on the size of benefit payments. She agrees with the Chancellor that the options for a cut-off discussed in the minute and in the accompanying report by officials should be ruled out at this stage. She has noted that the Chancellor proposes to commission further work on the level of social security benefits generally.

I am sending copies of this letter to the Private Secretaries to the members of E, and to David Wright (Cabinet Office), and Gerry Spence (CPRS).

L. P. LANKESTER

A.J. Wiggins, Esq.,
HM Treasury.

CONFIDENTIAL

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18 July 1980

Policy Unit

010
MR LANKESTER

BENEFIT MINUTE

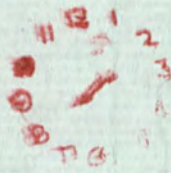
1. We agree with the Chancellor (paragraph 4 of his minute) that the three options operate on much too narrow a front. The criticism - and the misunderstanding - they would fuel would far outweigh their contribution to the wider problem.
2. I think the Chancellor is right to raise (paragraph 6) the indexation of social security benefits. In any event, we believe that the process of Transition from high inflation to low inflation requires at least partial de-indexation - possibly on a wider front than we have so far contemplated.

JH

JOHN HOSKYNS

Why on earth do we
choose this moment to
consider FULL indexing
of Child Benefits?

11 8 JUL 1980



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Ami... 1



Agree that the options for a cut-off be Yes not looked out at this stage? (see para 4)

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Chancellor progress to commission further work on this.

PRIME MINISTER

BENEFIT LIMIT

Econ Pol - Incentives for lower Paid - Jan 1980. PL 1977

At the meeting of E Committee on 26 February (E(80) 8th meeting) I was asked to arrange for officials to examine further the possibility of a cut-off on the size of benefit payments.

.... 2. I attach a report by officials. It examines three options and concludes that any one could be made to work, given the manpower and legislative backing. The three options were:

- a. a limit expressed as a proportion of gross national average earnings, with no reference to individual circumstances;
- b. a limit related to an individual's income when in work, adjusted by broad tariffs to take account of net in-work deductions and in-work benefits (FIS etc) broadly to reflect family circumstances;
- c. a compromise between a. and b. which takes the broad limit in a. and adjusts it by reference to the family circumstances ~~tariff~~ in b.

5 JUL 1980

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7 6

CONDIMENT

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3. The report's conclusions are that all three options are broad brush in that they will not home in on specific cases where out-of-work benefits are higher than expected in-work income, and they would all, to varying degrees, affect a substantial proportion who would not expect higher in-work incomes. Option a. would be simple to apply and less open to dispute but would bear particularly hard on large families. Option b. would take some account of family circumstances, but would be more expensive to administer and might be more open to challenge and appeal in individual cases. Option c. would have some of the advantages of both a. and b., but it would still require additional staff and would give rise to pressure for refinement and to alleviate hardship.

4. This report by officials provides useful background, but its focus is essentially narrow. Any of the options would be attacked as unfair and discriminatory and would require additional staff. In my view the rationale for a scheme of this kind - that it would have a broad psychological effect in helping incentives across the board - is insufficiently strong for us to act at this stage.

5. I am concerned, as I said in my earlier memorandum on incentives (E(80)17), with the imbalance in society which makes it more attractive to remain out of work than to find and keep work. This is not related to specific comparisons of theoretical examples but to the general belief that, provided the financial effects of unemployment are not too uncomfortable, it provides leisure and opportunity which must be valued highly in relation to employment. In other words many people nowadays prefer the security of unemployment to the insecurity of employment. This, as I said, is a deep-seated problem and lies behind much of our present economic trouble.



6. Ways of tackling it, by action on the balance between total income in and out of work, raises the whole question of the level of social security benefits. The real value of benefits for the unemployed has just about doubled since 1951 - along with earnings in general. Thus the out-of-work have shared equally with those in work in past improvements in living standards. We have thus moved some way from the concept of absolute poverty. But we must ask ourselves whether in present circumstances benefit levels should continue to compensate fully for price increases, especially if earnings over the next year are to rise less than prices, as I believe necessary. Particular questions are the level of housing support (more than 5 million households out of a total of 20 million receive some form of help from public funds for housing costs) and supplementary benefit children's rates (where we might consider restricting the upratings so as not to let the substantial cash margin over child benefit grow any further).

7. These questions will also of course be relevant to our discussions on public expenditure. The Chief Secretary's memorandum to Cabinet raised the question of the need to find savings on social security expenditure, by uprating certain benefits by less than prices. I think that in our public expenditure discussions we must bear in mind the different dimension of work incentives and social policies generally.

8. I suggest therefore that we return to this question in the autumn. We might then have a discussion related to the wider context, sketched out in this letter, on the basis of a review by officials which develops and widens the themes in E(80)17 as the report that was attached to it. I will ask my officials to put this in hand.

CONFIDENTIAL



9. I do not rule out the possibility of applying a form of cut-off on benefit. But I would like to put it in a wider context so that it can be considered in relation to our future policies more generally.

10. I am sending copies of this letter to other members of E Committee, Sir Robert Armstrong and Mr Ibbs.

(G.H.)

15 July 1980

BENEFIT LIMIT

Report by Officials

Introduction

1 When E Committee discussed E(80)¹⁷18, relating to the report by officials on work incentives and benefit levels, they ruled out the re-introduction of a "Wage Stop" in the form of the supplementary benefit rule ^{which} was abolished in 1975, but invited the Chancellor of the Exchequer to arrange for officials to examine further the possibility of imposing some sort of cut-off on the size of benefit payments. Officials from the Treasury, CPRS, DHSS, Employment and CSD have considered the main types of benefit cut-off and their administrative and legislative implications and now seek Ministers' views on the next steps to be taken.

The previous "Wage Stop"

2 The National Assistance and Supplementary Benefit schemes contained a wage stop which was abolished in 1975. The principal reasons for its abolition were:

- (a) Its complexity - it attempted originally to adjust the level of wage stop according to an individual's earning capacity. This caused difficulties in administration, often considerable nugatory work and a high error rate. Complexity increased in the early 1970s when the introduction of FIS and rent and rate rebates and allowances for those in work added to the difficulties of calculation.
- (b) Its arbitrariness - the rules were difficult to apply in the case of a man who had been unemployed for a long time or one who was intermittently employed in a variety of jobs. The rules were changed in 1968 to apply, not to an individual's earnings if he was unskilled, but to National Joint Council rates for local authority manual workers. Concessions often had to be allowed to mitigate real hardship and this, and the error rate, increased the number of appeals.

- (c) Its ineffectiveness - at its peak in 1970 the scheme applied to 35,000 claimants (15 per cent of those required to register for work). But, chiefly because of the development of rent and rate rebates and the introduction of family income supplement (FIS), by 1975 it affected only 6,000. The administrative cost for this handful was very high (1 per cent of those required to register).

Nature of problem

- 3 We have taken Ministers objective to be that, as part of their policy of improving work incentives there should be some ceiling on benefit payment so that either those claiming benefit can be seen to be receiving a lower income than the generality of those in work or, more specifically, that those out of work do not receive a higher income than when they are in work.
- 4 To achieve such an objective fully might mean applying the chosen limit to unemployment benefit (UB) as well as to supplementary benefit (SB). But in practice it does not seem necessary to do this, because with the withdrawal of earnings related supplements it will be very rare for UB on its own to exceed in work income. This report therefore excludes unemployment benefit from consideration and concentrates on whether there should be any limit to SB entitlement (though where UB and SB are both paid the limit would apply to the total).
- 5 The Cohort Study of the Unemployed will provide us, later this year, with a better picture of the financial circumstances of the unemployed. But, in broad terms, there are three main factors which can lead to out of work income (from supplementary benefit) reaching or exceeding in-work income (from earnings and social benefits available to the low paid):
 - (a) High housing costs;
 - (b) Very low earnings;
 - (c) Large family.

Each of these factors may be enough to cause incentives problems; but in most cases the problem will arise from a combination of factors. For example, a man with only one or no children would have to have

very low earnings or very high housing costs to make him potentially better off out of work.

6 Given the difficulties that arose on the administration of the wage stop, we have sought a solution which would be both simple to administer and fair to the beneficiary. These objectives may be in conflict - a simple scheme may be arbitrary in its effects and no solution is free from administrative difficulty.

7 Number of working age who claim SB

- required to register for work	600,000
- not required to register (e.g. one parent families)	600,000
TOTAL	<u>1,200,000</u>

Estimated numbers of those required to register receiving higher income on benefit than they would in work (5%)	30,000
---	--------

NB This figure would be lower if all available in work benefits were claimed.

8 The estimated average benefit payments (unemployment benefit and supplementary benefit) at November 1979 to unemployed persons receiving supplementary benefit were as follows:

	<u>Table 1</u>				
	No children	one child	two children	three children	four children and more
Average payment*	£23	£40	£43	£46	£51
% of families required to register	0%	31%	32%	20%	17%

These figures cannot be compared with after-tax earnings when in work because those in work may qualify for benefits such as rent and rate rebates on top of their earnings.

*including unemployment benefit for those cases in which UB is in payment.

The options

9 There are three main alternatives:

- Option A: A benefit limit related to average earnings; or
- Option B: A benefit limit based on individual net in work income;
- Option C: A compromise between A and B.

Option A

10 Out of work benefit (i.e. supplementary benefit plus, where applicable, unemployment benefit) would be limited to a given proportion of gross national average earnings (currently about £110) with no reference to individual circumstances. The figure taken would be updated (perhaps each year) in line with average earnings.

Effects

11 The effect of option A depends on the limit chosen. Because the "better off" problem affects only a small number of people, most of them at the bottom of the pay ladder, the limit taken would have to be very low if it were to lead to any significant reductions in benefit payments. A higher limit might still have some presentational impact, but would affect few people in practice. The table below demonstrates this.

Table 2

Benefit limit: % of average male earnings	Number of families with benefit limit at any one time	Annual benefit savings from limit (at current benefit levels)	Staff Numbers*
100%	less than 500	less than £100,000)	
90%	less than 500	less than £100,000)	10
80%	less than 500	less than £100,000)	
70%	less than 500	less than £100,000)	
60%	2,000	£½m	15
50%	12,000	£3½m	50
40%	90,000	£25m	325

*excludes take on costs and appeal costs

Table 3

1 % of gross average earnings	Impact on those affected *		4 % of those affected whose out of work incomes would not exceed in work incomes
	2 Number affected by limit	3 % of those, whose out of work income is higher than expected in work income, affected by limit	
50%	12,000	15	65
40%	90,000	60	80

At higher levels of benefit limit it is expected that the percentages in column 3 would be lower, and in column 4 higher than shown.

Table 4

Those subject to limit, by family size

Limit chosen	Number of children				
	None	One	Two	Three	Four or more
50%	6%	6%	9%	13%	66%
40%	5%	12%	26%	26%	31%

Advantages

12 The case for this option would be:

- (a) The benefit limit would, in a broad sense, reflect earnings levels. Like earnings levels, there would be no variation according to individual or family circumstances, (except to the extent that indirectly the limit would take account of child benefit, because this would be deducted from the supplementary benefit payable);
- (b) The limit would be simple to apply; and
- (c) There would be no scope for dispute on the figures to be used, any more than there is on the benefit rates laid down in regulations.

*This and the subsequent estimates of effectiveness (Tables 5 and 7) are based on simulations of the impact of benefit limits on the men in the DHSS Cohort Study of the Unemployed. The Cohort Study collected detailed information on the family incomes prior to and during unemployment of a representative sample becoming unemployed at the end of 1978. The estimates are sensitive to small changes in both the definition of those receiving more out of work than in work and in the relationship between incomes in and out of work.

Disadvantages

13 The main difficulty about this option is that it would be rough and ready. It would not relate to individual circumstances so that:

- (a) A man with a higher earnings potential than average earnings (and a higher rate of expenditure) would face a larger proportionate reduction in income. Someone with low earnings potential (e.g. youngsters) would face less if any reduction.
- (b) The limit would ignore in-work benefits (e.g. rent and rate rebates and allowances, family income supplement) which vary according to family size and circumstances. Thus families on benefit would be more disadvantaged than a straight comparison with their in-work expectations would imply, and the effects of (a) above would be exacerbated, especially for larger families.
- (c) The option would be open to the criticism that it had a disproportionate effect ^{on} large families, and it would hence be seen as an anti-family measure (see Table 4).

14 In consequence, option A could not be defended as individually fair. It would have to be justified on the more general basis that for anyone to receive a weekly payment of benefit higher than a given proportion of average earnings would be wrong because it undermines work incentives. The resulting "hard cases" would produce considerable pressure for hardship provisions. Such pressure would be difficult to resist, given the fact that, (unlike the case of a striker) the claimant's unemployment would (normally) be no fault of his own and might be for a long period. But, if conceded, such provisions would be difficult to administer; be staff intensive; and open the door to appeals. Even without such provisions, there would be extra pressure and work arising from more claims for exceptional needs payments for clothing etc. Thus the lower the limit chosen, the higher the number of cases affected and the higher the staff cost. The choice for Ministers, if they prefer option A,

is whether a limit which affected only a handful of cases would have sufficient presentational impact to provide a useful addition to the Government's measures to improve work incentives; or whether, to be worthwhile, the limit should affect a significant number of cases.

Option B

15 Benefit would be limited to recent in work income (or could be a given proportion of that income). But to avoid difficulties of the sort that emerged in applying the wage stop:

- (a) A condition of claiming benefit would be, as with FIS, that there is acceptable evidence of recent earnings. But it may not be possible always to apply this condition e.g. where there is no recent work record (probably as much as 30%). In such cases, it would be necessary to prescribe some other yardstick e.g. the Local Authority wage rates for manual workers, as under the wage stop (paragraph 2(b) above).
- (b) The appropriate earnings level taken in each case would be uprated (as in option A) by reference to a prescribed national indicator e.g. average earnings.
- (c) Net earnings would be established by making a tariff deduction of 22% from gross earnings. This deduction would be intended to cover tax, National Insurance contributions and work expenses;
- (d) Allowance for in work benefits would be made by a tariff addition to the net earnings figure to equate with in work benefits such as housing benefits and FIS. The tariff would vary according to family size and, very roughly, according to family income. Unlike (c) it would have to be a cash amount. In current terms, the tariff would be for families whose gross income was below the level at which FIS is payable:

£4 for a first child, £1.50 for subsequent children
£2 for a married couple without children.

16 The advantage of the tariff system used in paragraph 15(c) and (d) is that it reflects, in a broad brush way, the differences in individual circumstances without involving staff intensive enquiries and opening the door to detailed arguments of the sort that arose under the wage stop. The tariff figures have been derived from average work expenses and average current benefit levels and checked against the initial results of the Cohort Study of the Unemployed. The figures given are still tentative and need further checking against the results of the Cohort Study. Like the earnings level (see paragraph 15(b)) the tariffs would need to be regularly reviewed. The tariffs would have to be mandatory; if they were merely guidelines they would not avoid the difficulties that arose on administering the wage stop.

17 The estimated effect of option B would be:

Table 5

1	<u>Impact on those affected</u>	
Number affected by limit	2	3
	% of those, whose out of work income is higher than expected in work income, affected by limit	% of those affected whose out of work incomes would not exceed in work incomes
21,000	45	35

Table 6

Effects on those subject to limit by family size

Number of children

None	One	Two	Three	Four or more
40%	18%	18%	6%	18%

Benefit saving

£5m

Staff numbers

210* (100 staff for 10,000 cases)

*excludes take on costs and appeal costs

Advantages

- 19 The case for option B is:
- (a) The limit would reflect individual circumstances much more than option A, although there would still be a substantial element of rough justice especially for families with incomes close to the FIS level for whom an extra £1 a week in the net earnings figure could mean a sharp reduction in the benefit limit.
 - (b) The use of past earnings figures and of tariffs would eliminate some of the most awkward aspects of the wage stop. The most difficult element of the wage stop was the need to forecast total future in work income.
 - (c) The limit would not discriminate against large families to the same extent as option A.

Disadvantages

- 20 The case against option B is:
- (a) There would still be substantial room for argument and appeal especially on individual earnings levels, for example if local authority wage rates were used as a guide (see paragraph 15(a) above).
 - (b) Any tariff system is open to the objection that it is not as sensitive to individual circumstances as the help available under the different schemes it consolidates into a tariff. Accordingly, there would be pressure for a more finely tuned tariff and - as with option A - for hardship provisions.
 - (c) Option B would be more staff intensive than option A.

A middle course: Option C

21 If it were considered that at one end of the spectrum option A was too rough and ready in ignoring in work benefits but that at the other option B was too ambitious in seeking to tailor the benefit limit to individual circumstances, a middle course ^{could be} struck between the two (option C). This could be achieved by starting with an average earnings figure, as in option A, but applying to it an appropriately

modified version of the tariff in option B to take account of family circumstances, including in work benefits.

22 If a middle course were followed, and a 50% or 40% limit adopted, the effects would be:

Table 7

Effectiveness in reaching target area

1	2	3	4
% of gross average earnings	Number affected by limit	% of those, whose out of work income is higher than expected in work income, affected by limit	% of those affected whose out of work incomes would not exceed in work incomes
50%	1,000	less than 5	over 50
40%	30,000	25	75

Table 8

Size of families affected

	Number of children				
	None	One	Two	Three	Four or more
40% limit	15%	12%	17%	21%	35%

Benefit saving £½m p.a. at 50%; £8 million at 40%

Staff numbers 6 at 50%; 180* at 40%
(60 staff for 10,000 cases)

*excludes take on costs and appeal costs

Incentives

23 In principle, the introduction of a benefit limit could help work incentives in two ways. First, in its immediate impact on those whose benefit was cut or whose benefit might be cut if they became unemployed. Secondly, in its presentational/psychological effect generally, in emphasizing that the Government were taking measures to improve work incentives and to ensure that people were not better off out of work. There might also be a reduction, though not a complete elimination, in the number of cases receiving media publicity because their out of work income exceeds their in work income. The extent of the impact under the first head would depend directly on the limit level chosen.

Impact under the second head would depend less directly on the limit chosen: the fact that the Government was seen to be taking action, and that a limit was imposed could be as or more important than the precise level.

The financial and staffing effects

24 The financial and staffing effects (which do not include any allowance for deterrent effects) are:

Table 9

	Benefit savings	Staff numbers and annual cost
Option A		
(i) 40% of average earnings	£25m	325 (£3.2 million)
(ii) 80% of average earnings less than £0.1m		10 (£0.1 million)
Option B	£5m	210 (£2.07 million)
Option C (based on 40% of average earnings)	£8m	180 (£1.8 million)

Staff for those options involving a significant effort, together with the extra staff needed to set up the scheme, could not be found from existing resources. Accordingly, other economy measures would have to be found before the scheme could proceed if the staff needed were not to represent a net addition to the DHSS manpower budget.

Timing and legislation

25 Main legislation would be needed. If Ministers so wished, provision could be included in a social security Bill due to be introduced in the next (1980/81) Session. In addition, regulations would be needed; and these would have to define carefully the basis of the benefit limit and the opportunities for appeal.

26 There are also operational timing constraints. The benefit limit would be applied by the same local offices responsible for

implementing the new supplementary benefits scheme in November 1980. Provided this scheme were satisfactorily under way and that Royal Assent for the enabling legislation were obtained by May 1981, it would be possible to start applying the limit later that year. Operationally the least expensive time to introduce the limit would be when social security benefits are updated in November. Taken together, these factors would put the earliest date for implementation as November 1981.

Summing up

27 Any of the three options would be controversial, given the controversy that surrounded the wage stop and the all party support for its abolition, although the extent of the controversy would probably vary according to the severity of benefit limit imposed. But in the view of officials, any of the three could be made to work, at a differing political and administrative cost, provided there were the necessary manpower and legislative backing. Option A - the single figure unrelated to individual circumstances - would be simple to administer and would offer little scope for challenge on individual cases. The higher the number of cases it affected, however, the greater the administrative complication arising from cases of hardship. Option B is more closely tailored to individual circumstances (though not completely) and would be less open to attack as being unfair in principle as well as individually unfair in practice. But it would require more staff, would not avoid complication arising from cases of hardship and there would be pressure for refinement to meet individual circumstances making it more like the original wage stop. Option C is a half-way house which would remedy some of the lack of flexibility of A by making some allowance for family circumstances and would be simpler and less open to individual challenge than B. But as with A and B, there would be complication arising from cases of hardship and pressure for refinements.

Further Action

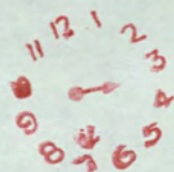
28 Ministers are invited to decide:

- (1) Whether they wish in principle to apply a limit to benefit;
- (2) If they do, whether any of the three options examined meets Ministerial objectives.

If one or more option is suitable, Ministers are invited to indicate which should be examined further and whether:

- (3) there are any issues arising which they would wish to consider again in the light of official advice
- (4) they wish legislation to be introduced in the 1980-81 Session
- (5) in the case of options involving a limit as a proportion of earnings, the limit should be relatively high (say 80%) or relatively low (say 40%).

15 JUL 1980



Mr. R. HOWELL
(Benefit Tax)

Overdue

4 July 1980

Cheryl
MS
2/17

I attach a copy of a letter the Prime Minister has received from Ralph Howell, M.P. I should be grateful if you could suggest a draft reply for her to send to him, to reach us here by Friday 18 July.

N.J. SANDERS

Don Brereton, Esq.,
Department of Health and Social Security.

4 July 1980

I am writing on behalf of the Prime Minister to thank you for your letter of 1 July, which I will of course place before her at once. You will be sent a reply as soon as possible.

N.J. SANDERS

Ralph Howell, Esq., M.P.



10 DOWNING STREET

PRIME MINISTER

This letter from Ralph Howell is a further one about "Why Work".

We will let you have a draft reply.

MS

[Handwritten flourish]

4 July 1980

RALPH HOWELL, M.P.

CC16



HOUSE OF COMMONS
LONDON SW1A 0AA

RH

1st July 1980

The Rt. Hon. Mrs. Margaret Thatcher, M.P.
Prime Minister

Dear Prime Minister,

I am enclosing copy of a Written Reply given to me by Mrs. Lynda Chalker on 18th June, 1980, showing the effect on spending power of making benefits reckonable for tax. I can understand and fully support the idea of abolishing Earnings Related Supplement, so that everybody receives the same amount when sick or unemployed, regardless of their previous earnings but I fail to understand the logic of a person who has been earning over £65 per week, receiving £7 per week less than a person who has been earning £45. I am also concerned that this figure of £43.90 is below supplementary benefit level, thus necessitating an extra payment to bring it up to a maximum of £44.65. In my view this is bureaucratic madness. I would be most grateful for your comments on these points. I have written a similar letter to Sir Geoffrey Howe and to Patrick Jenkin.

*Yours ever
Ralph*

to rebuild the paediatric cardiology unit at Alder Hey hospital from the following:

- Liverpool Central and Southern Community Health Council
- Liverpool Family Practitioner Committee
- Royal Liverpool Children's Hospital (Myrtle Street/Action Committee)
- TUC Affiliates Committee (Liverpool AHA(T))
- British Association of Social Workers (Merseyside Branch)
- Royal College of Nursing (Liverpool Centre)
- Three consultants on behalf of some of the medical staff at the Royal Liverpool Children's Hospital.

It has also received representations about its long-term proposals to transfer services from the Royal Liverpool children's hospital to Alder Hey hospital, and about changes envisaged in the future for specific specialties or services to children.

I hope to visit Liverpool shortly.

Chronically Sick and Disabled Persons

Mr. Roy Hughes asked the Secretary of State for Social Services what representations he has received from the Association of County Councils, concerning the provision of essential services for disabled people; what reply he has given; and if he will make a statement.

Mr. Prentice: A proposal was put forward by the association that section 2 of the Chronically Sick and Disabled Persons Act 1970 should be made discretionary, but I understand that the proposal is no longer being pursued. My right hon. Friend has no present plans to amend the section.

Mr. Alfred Morris asked the Secretary of State for Social Services what information he has received on the outcome of the research undertaken by the Disablement Income Group charitable trust into the circumstances of chronically sick and disabled people on supplementary benefit; if there is any action he will be taking arising from the main results of this research; and if he will make a statement.

Mr. Prentice: I do not yet have any definitive information on the outcome of the research referred to by the right hon. Gentleman.

Family Incomes

Mr. Ralph Howell asked the Secretary of State for Social Services if he will publish a table, on the same basis as the reply given to the hon. Member for Norfolk, North, *Official Report*, 7 November 1979, column 213, showing the effect on spending power for a single person, a married couple and a couple with two children of making benefits reckonable for tax, and of abolishing earnings-related supplement, assuming previous earnings of £45, £55, £65, £75, £85, £95 and £105, and illustrating the effects on the spending power of recipients of (a) unemployment benefit, (b) invalidity benefit, (c) widows pension and (d) supplementary benefit.

Mrs. Chalker [*pursuant to her reply*, 10 June 1980, c. 141-42]: I regret that it is not possible to provide information under all the heads requested by my hon. Friend. However, the tables below show net weekly spending power as at November 1979 both with and without earnings related supplement where that is appropriate: earnings-related supplement is not payable with invalidity benefit or supplementary benefit. My hon. Friend will appreciate that these tables cannot be used to illustrate the position as it will be in January 1982, the date from which it is proposed to abolish the remaining earnings-related supplement. By January 1982, flat-rate benefits will have been uprated twice and the real value of earnings-related supplement will have declined.

It is not possible to include the effects of making benefits reckonable for tax because the precise shape of the arrangements for taxing benefits is not yet known.

The assumptions on which the tables have been based all relate to November 1979. Other assumptions have been made as follows:

For married couples, the wife has no personal income from earnings or social security benefits, apart from child benefit where appropriate;

There have been no previous spells of unemployment or sickness which would affect the amount of benefit and any earnings-related supplement payable;

Means-tested benefits are taken up in full. In the case of family income supplement, payment is assumed to continue for the first six months of unemployment or widowhood.

TABLE A1—UNEMPLOYMENT BENEFIT WITH EARNINGS-RELATED SUPPLEMENT
Earnings-related supplement is payable with unemployment benefit only from weeks 3 to 28

Family type	Previous earnings £	Unemployment benefit £	Child benefit £	Family income supplement £	Rent £	Rent rebate £	Rates £	Rate rebate £	Free school meals £	November 1979	
										Free welfare milk £	Net weekly spending power £
Single person	45	24.68	—	—	5.40	4.83	2.30	1.89	—	—	23.70
	55	25.94	—	—	5.40	4.52	2.30	1.79	—	—	24.55
	65	27.20	—	—	5.40	4.20	2.30	1.69	—	—	25.39
	75	28.46	—	—	5.40	3.89	2.30	1.59	—	—	26.24
	85	29.72	—	—	5.40	3.57	2.30	1.49	—	—	27.08
	95	30.98	—	—	5.40	3.26	2.30	1.39	—	—	27.93
Married couple	105	32.24	—	—	5.40	3.04	2.30	1.31	—	—	28.89
	45	32.16	—	—	5.40	5.40	2.30	2.30	—	—	32.16
	55	37.39	—	—	5.40	5.28	2.30	2.03	—	—	37.00
	65	38.65	—	—	5.40	4.97	2.30	1.93	—	—	37.85
	75	39.91	—	—	5.40	4.65	2.30	1.83	—	—	38.69
	85	41.17	—	—	5.40	4.33	2.30	1.73	—	—	39.53
Married couple with two children aged 4 and 6.	95	42.43	—	—	5.40	4.02	2.30	1.63	—	—	40.38
	105	43.69	—	—	5.40	3.70	2.30	1.53	—	—	41.22
	45	33.35	8.00	7.80	6.50	6.50	2.80	2.62	1.50	1.05	51.52
	55	39.31	8.00	2.80	6.50	6.50	2.80	2.55	1.50	1.05	52.41
	65	42.05	8.00	—	6.50	6.50	2.80	2.55	1.50	—	51.30
	75	43.31	8.00	—	6.50	6.31	2.80	2.45	1.50	—	52.27
Married couple with two children aged 4 and 6.	85	44.57	8.00	—	6.50	5.99	2.80	2.35	1.50	—	53.11
	95	45.83	8.00	—	6.50	5.68	2.80	2.25	1.50	—	53.96
	105	47.09	8.00	—	6.50	5.36	2.80	2.15	1.50	—	54.80

TABLE A2—UNEMPLOYMENT BENEFIT WITHOUT EARNINGS-RELATED SUPPLEMENT

Family type	Previous earnings £	Unemployment benefit £	Child benefit £	Family income supplement £	Rent £	Rent rebates £	Rates £	Rate rebate £	Free school meals £	November 1979	
										Free welfare milk £	Net weekly spending power £
Single person	Any level	18.50	—	—	5.40	5.40	2.30	2.30	—	—	18.50
Married couple	Any level	29.95	—	—	5.40	5.40	2.30	2.30	—	—	29.95
Married couple with two children aged 4 and 6.	45	33.35	8.00	7.80	6.50	6.50	2.80	2.62	1.50	1.05	51.52
	55	33.35	8.00	2.80	6.50	6.50	2.80	2.80	1.50	1.05	46.70
	65-105	33.35	8.00	—	6.50	6.50	2.80	2.80	1.50	1.05	43.90*

* There would also be entitlement to supplementary benefit, making the net weekly spending power £44.65.

PART 3 ends:-

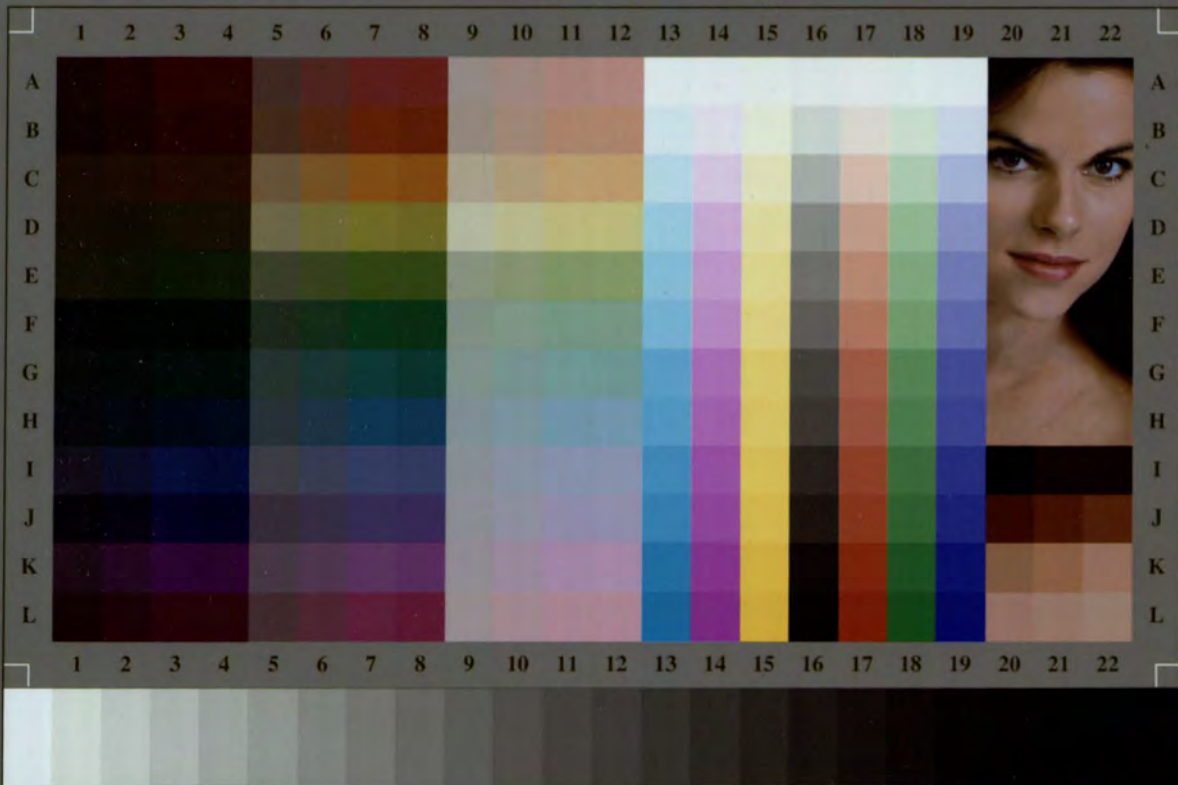
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PART 4 begins:-

Ralph Howell(MP) to PM 1.7.80

~~Ch of Ex to PM 15/7/80~~

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