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CONFIDENTIAL

Prime Minister

I am very worried about 'deeming' to be received by non-union members who could not possibly receive it. The suggestion seems grossly unfair - especially if they have to go on strike.

Since this is a contentious issue, perhaps it should be taken in Cabinet. Alternatively, if you are content with the proposals, shall I say "yes" subject to other colleagues' views?

TL 30/1

PRIME MINISTER

STRIKERS AND SUPPLEMENTARY BENEFIT

As you know there have been several discussions in E(EA) on possible ways of altering the payment of Supplement Benefit to the families of strikers so as to encourage trade unions to bear a share of strike costs. The problem is very difficult, but I have now been over the issues again with the colleagues most closely concerned: the Chancellor of the Exchequer, the Secretary of State for Employment, and the Secretary of State for Social Services. We have identified a package, which we can jointly recommend to our colleagues, to fulfil our election commitment on this point.

The relevant passage in the Manifesto is attached at Annex A. It proposed a financial disincentive to make people think twice before striking. It promised that we would review the situation and that unions would be made to bear a fair share of the cost of supporting those of their members who are on strike.

We have considered, but rejected, the possibility of delaying the payment of tax refunds to strikers. This would require legislation and was firmly ruled out in your television interview on "Weekend World" last January. Employers already have power to delay. They don't have to pay themselves - they simply tell the Inland Revenue

We have concluded therefore that the financial disincentive should be imposed by "deeming" that a striker's family has an income of £10 per week when calculating their entitlement to supplementary benefit. We have considered carefully whether this assumption

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could be applied only to union members who are on strike, since it could then be clearly identified with strike pay from the union. However, we have concluded that the problem of identifying whether strikers were union members would make such an arrangement very difficult to administer, and more particularly would open the door to abuses of the system by legal tricks from the union side. We therefore recommend that the £10 per week should be counted for all strikers, whether or not they are union members, and whether the strike is official, unofficial, or indeed a "lock-out". We acknowledge the presentational problems of this proposal. For example a non-unionist, who may have resisted the strike, but is unable to work because of action by his colleagues, or by the management, will find that his family is deprived of £10 per week of Supplementary Benefit. Although we can argue that the man who pays no union dues could prepare himself for the contingency of a strike, it will be suggested that we are encouraging people to join unions. Nevertheless, we think that this is the lesser of two evils, since the alternative would not only have the problems of administration that I have mentioned but would also be presented by the unions as our encouraging their members to withdraw from membership.

I think this is more unwise

I disagree

We would take the deemed amount into account in full in determining the Supplementary Benefit entitlement of the striker's family. We recommend, however, that we should continue, as at present, to disregard the first £4 of other miscellaneous income to the striker, the first £2 of any part-time employment of the striker,

/and ...

and the first £4 of wife's earnings. The net effect of the changes will be to leave the striker's family up to £10 per week worse off than at present, depending on the amount of strike pay that the striker actually receives. If the striker is a union member and the union builds up its strike pay to the £10 per week level, as some unions do already, the family will be no worse off and the family might also benefit from the disregards.

We have considered what should be done about families who have no strike pay, and who might be said to suffer hardship. In the extreme case, the whole family, including the striker himself, will be £25 per week below the income acknowledged as adequate for their long-term needs under the normal Supplementary Benefit entitlement. Strikers, however, usually defer as many of their long-term expenses as possible and, looking at the needs of the family alone, excluding the striker himself, the worst case will be a £10 per week deficit from the long-term requirement level. In most cases, because there is some tax refund, the deficit will be less. We considered whether loss of Supplementary Benefit on this scale would amount to hardship and whether we should make hardship payments, but decided that hardship payments would cut at the roots of the whole proposal, since we would be imposing no financial disincentive on strikers, nor any pressure on unions to increase their strike pay. We therefore concluded that deficits of these amounts should not be reckoned to constitute hardship, and that the regulations governing the payment of Supplementary Benefit should make it clear that hardship payments would only be made in "extreme circumstances unrelated to the strike" - for

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example fire, flood, or unexpected serious illness. In order for this to be administratively workable under the extreme pressures experienced during strikes, the residual discretion will have to be tightly drawn in regulations. We acknowledge that there will be hard cases but that is an inevitable consequence of imposing a financial disincentive on striking.

We propose that the amount of income deemed for strikers should initially be £10 per week, as discussed above, but that this should be increased in proportion with the increase in Supplementary Benefit, so that it was not eroded by inflation.

If colleagues accept our recommendations on this, the provisions already included in the Social Security Bill, which went to Legislation Committee yesterday, would provide all the primary powers needed. We think, however, that proposals as sensitive as these will require careful presentation. We therefore suggest that when the Social Security Bill is published, the Secretary of State for Social Services should merely say that no decision has yet been taken on the treatment of strikers.

We could then consult with the TUC and employers at a convenient stage over the next month or so and present our detailed proposals to the House when the Bill is in Committee. The Secretary of State for Employment particularly emphasises the delicate state of relations with the TUC at present on a number of fronts.

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I am copying this minute to all Cabinet colleagues, Norman Fowler and Michael Jopling, and to Sir Robert Armstrong. They will no doubt let you know whether they can accept our recommendations without further collective discussion. I think we all recognise that the measure will cause considerable controversy and that its direct consequence will be quite small, since only a small minority of strikers' families actually draw on Supplementary Benefit. Nevertheless we have a commitment and our supporters will expect some action. I believe that the recommendations in this minute are the best compromise we can devise.

KJ

K J

28 November 1979

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