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PRIME MINISTER

The Financial Treatment of Strikers and their Families
(C(80) 18)

BACKGROUND

The Manifesto says:-

"We shall ensure that unions bear their fair share of the cost of supporting those of their members who are on strike."

2. The Cabinet considered ways of doing this in December on the basis of a proposal by Sir Keith Joseph (agreed with the Chancellor and the Secretaries of State for Employment and Social Services) that all strikers whether members of trade unions or not should be deemed to be in receipt of an income of £10 a week. The Cabinet balked at the proposal because they were quite clear that they did not want non-unionists to be "deemed" to be receiving strike pay which could not be available to them. Given that the advice they had was that it would be administratively difficult to distinguish between union and non-union members, the Cabinet asked for alternative approaches to be considered.

3. This examination has now been conducted by a small group of Ministers under your chairmanship. The conclusions of your group are set out in C(80) 18. The recommendations are agreed except on the central issue of whether penalty should apply to union members only or to all strikers. The essential difference from the position as discussed by Cabinet in December is that the Secretary of State for Social Services is now satisfied that a workable distinction can be drawn between union and non-union strikers.

HANDLING

4. You might open the discussion yourself with a reference to the background. You might then divide the discussion into two parts, firstly the question of applying the penalty to unionists or to all strikers, and secondly the recommended package.

Unionists only or all strikers

5. At the last meeting of your informal group, most of your colleagues were in favour of applying the penalty to all strikers, rather than just to trade unionists. They are, of course, essentially the same group of Ministers who

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made the original proposal, though they were reinforced by Lord Cockfield's arguments. They would defend their stance, in the light of the Cabinet's earlier discussion, by saying that they are not proposing to deem strike pay but to reduce the requirements level for strikers' families. Colleagues in the wider Cabinet who felt strongly last time that non-unionists should not be penalised may regard this distinction as more semantic than real. It is also possible - though it is always dangerous to impute motives - that the real concern of the protagonists of the wider penalty is to avoid a direct clash with the trade unions.

6. The arguments for and against the two alternatives are summarised at paragraph 4 of my paper C(80) 18. Other points which could be made in favour of the 'unionists only' approach are:-

- (i) The major objective is that, as unions are responsible for most strikes, unions should bear their fair share of the costs. The Manifesto refers specifically to unions and their members.
- (ii) The "requirements level" for a striker's family is already reduced by £15 below the normal Supplementary Benefits requirements level, because the striker himself is not eligible for Supplementary Benefit. A further reduction in this level on its own would be difficult to justify for the non-unionist with no other source of funds (and perhaps in a situation where he has no direct responsibility for the strike or lock-out). A provision designed expressly to shift the burden from the State to the unions, on the other hand, would be easy to justify especially as, if the unions do their part, families on Supplementary Benefit need be no worse off because of the deeming proposal.

7. The simplest way of coming to a conclusion here, without too prolonged discussion, might be to say that the central issue is a political one. In framing proposals to implement the Manifesto commitment, are the Cabinet prepared to penalise strikers who are not members of trade unions in the same way as those

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who are? The Chancellor of the Exchequer and the Secretary of State for Trade are likely to argue that both groups should be penalised. On form last time the Home Secretary, the Foreign and Commonwealth Secretary and the Lord Chancellor are likely to argue the other way.

8. This part of the discussion may well not end in complete agreement, and I suggest that you simply record the majority view as being the Cabinet's decision.

The Recommended Package

9. The package is set out at paragraph 5 of the paper C(80) 18. I imagine that the Cabinet will agree to it fairly readily, but you might take them quickly through each item.

- (a) Penalty of £12 per week. Your informal group agreed this early on, though the illustrative figure before Cabinet in December was £10 per week. Deemed strike pay to be ineligible for the miscellaneous income "disregard". As the paper says this is a technical but necessary point. If anyone asks, the short answer is that under present rules the £4 a week of "miscellaneous income" is disregarded for the purpose of assessing supplementary benefit entitlement; it is therefore necessary to make strike pay ineligible for the 'disregard' or the effects of deeming £12 strike pay could be reduced by £4.
- (b) Automatic yearly uprating of the penalty with provision for variation upwards or downwards. This is straightforward.
- (c) Strike pay actually received up to the level of the penalty to remain in the striker's hands. This is necessary, as the paper says, to avoid a double penalty - and to give the unions an incentive actually to make payments.
- (d) Tax refunds to strikers to be excluded from the miscellaneous income 'disregards'. Your informal group were firmly in favour of this, though it was not suggested to the Cabinet last time. Whatever is decided on the main penalty, this measure would apply to unionists and non-unionists alike, and it would produce a separate £4 a week penalty for those strikers who receive tax refunds week by week. (So it is a temporary provision - tax refunds will be deferred until the end of the strike from April 1982).

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- (e) No "urgent needs" payments for those to whom the penalty is applied except for causes unrelated to the strike. This measure is considered necessary in order to stop claimants getting the penalty deduction made up again by another route. But it could cause genuine hardship where the unions do not pay strike pay. The Government will obviously try to ensure that the blame for such hardship is pinned squarely onto the trade unions, but if the Government's position becomes politically untenable, there would be the possibility of changing it by regulation.
- (f) Supplementary benefit paid to strikers to become taxable from April 1982. This follows naturally from the Government's decisions on taxing unemployment benefit and supplementary benefit paid to the unemployed, and should readily be agreed.

Other Points

10. The "double payments" problem after April 1982. This is discussed briefly in paragraph 7 of C(80) 18. The Cabinet may wish to note that a decision will be needed later, but there is no need for a discussion now.

11. Announcements. The Chancellor of the Exchequer will announce the taxation measure in his Budget Speech. At your last informal meeting you asked him and the Secretaries of State for Employment and for Social Services to consider further the timing of the announcement of the Social Security measures and of the introduction of the Social Security (No.2) Bill. You might ask the Secretary of State for Social Services to say what he now intends on these points.

CONCLUSIONS

12. You will want to record the Cabinet's decision on whether the penalty should apply to trade unionists only or to all strikers, and their agreement, assuming that it has been given, to the package of proposals at paragraph 5 of C(80) 18.

RIA

Robert Armstrong

12th March 1980