

PRIME MINISTER

Original returned  
to Mr. Hoskyns.

UNEMPLOYMENT BENEFIT

1. We suggest below a more radical alternative than most colleagues will want to adopt. We believe the very muted reaction to the £12 deduction from SB shows that it is possible to tilt the bargaining balance much more sharply against strikers.
2. The first step with this proposal would probably need to be consultation with outside bodies. If colleagues are not ready for this, it could be put in reserve for use in a future package.
3. We think that the present disqualifications for UB are too narrow. Those with a direct interest in the outcome of the dispute are ineligible for UB. However, since there is an established pattern of differentials within most plants, there is a sense in which an excessive pay award may eventually bring higher wages to everyone employed there. The availability of UB helps to protect those laid off at a plant by the actions of others. But if they were not insulated, they might put more pressure on their fellow workers not to resort to strike action. The aim should be to motivate the non-striking majority into discouraging strikes as a weapon of first resort by smaller groups.
4. The general principle we would like to see adopted is already reflected in the practice of some individual companies with lay-off pay agreements. For example, BL's guarantee of lay-off pay does not apply where the lay-off has been caused by industrial action within BL Cars.

Options Discussed in E Paper

5. The very modest change described as Option 1 would not be worthwhile. Option 2 would discourage unions from paying strike pay. Option 3 would discriminate against the members of a union involved in a dispute, which colleagues were anxious to avoid with SB. Option 5 is too complicated, involving workers in plants that are remote from the dispute.
6. By contrast, Option 4 would help to establish the principle that all who work at a plant are affected by the actions of others who work there. If those laid off were disqualified from receiving 'B, they would take a closer interest in preventing strike action from ever breaking out. Of course it is easier to justify this treatment of those laid off where

disputes are about pay, since their own pay might eventually be affected by a successful strike by others. Where disputes arise over non-pay matters, those laid off may understandably protest that the dispute is "nothing to do with them".

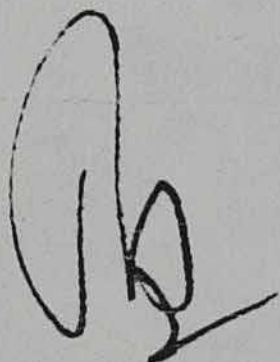
7. But we are trying to change this attitude. We want all workers at a plant to make it their business to discourage strikes. The reality is that a strike in another part of the plant does affect the performance of the plant as a whole. Although we do not claim that this relatively small change alone will transform industrial relations, we do think that it will tend to encourage more rational bargaining structures at plant level. This means bargaining institutions where the essential common interest of those who work at a plant is recognised and reflected. This kind of reform is precisely what Jim Prior called for in his Granada lecture, when he criticised separate negotiations with many different unions.

8. We do not believe it would be difficult to justify a move on the lines of Option 4. It could be explained that the state no longer wished to cushion the impact of disputes on other groups under the same roof. Instead, the new arrangements would reinforce the reality that all workers at the same plant have a common interest in its success.

Consultation

9. It is true that there has been little pressure so far for the change we are recommending. But managers simply do not spend their time considering how the social security payments system could be redesigned. Even in the case of trade union immunity for secondary action, the CBI took a very cautious view about changes until the scales fell from their eyes during the steel dispute. If this question of UB entitlement was properly aired, many managers would see the sense of disqualifying all those who were at a plant where a dispute takes place.

10. I am copying this minute to the Chancellor of the Exchequer and the Secretary of State for Industry.



JOHN HOSKYNS