CONFIDENTIAL

PRIME MINISTER

THE FINANCIAL TREATMENT OF STRIKERS AND THEIR FAMILIES

You asked for my personal views on these proposals.

1. The first question is whether the measures proposed should extend to non unionists as well as to union members. The preferred solution of "deemed strike pay" seemed to point clearly to the rules applying to union members only as non-unionists had no union which could be deemed to make the payment.

There is a flaw in this argument as it amounts to defining the problem in terms of the solution instead of designing the solution to fit the problem.

2. The real reason for taking action is not to impose a penalty on the striker: nor to induce unions to pay strike pay. It is simply that it is offensive to most people that their money should be used to support strikers who are inflicting damage on them and on the community at large.

What matters therefore is removing, or substantially removing, payment by the state.

Looked at from this point of view it is a matter of indifference whether the striker is a member of a union or not.

3. Unions do have an important part to play in mitigating hardship suffered by their members. It is a proper function of unions to do this by paying strike pay and it is legitimate to encourage them to do so.

But this is not and cannot be the end of the matter. The primary responsibility for supporting himself and his family rests upon the individual. Most people do in fact put money aside for a rainy day. Traditionally people who suffer misfortune are for limited periods able to cope with their difficulties with the aid if necessary of friends and relatives and indeed sympathetic tradesmen. It is reasonable, not unreasonable, that people who wish voluntarily to take action which temporarily deprives them of income should make provision for this in advance. It needs to be remembered also that where there are children, child benefit continues to be paid.

4. It is entirely reasonable therefore to assume that everyone who goes on strike whether a member of a union or not has made some provision for himself, either through his union or by other means. This points not to deeming strike pay, but to deeming that every striker has modest resources of his own which are available before he needs to call on the state for support. A deemed income of £12 a week universally applied does give effect to this approach.

5. The second question is that of "disregard" ie the practice that specified amounts of income should be left out of account in calculating the claimant's means in order to decide the benefit to which he is entitled. The only logical case for any such disregard is to avoid the administrative trouble of pursuing trivial items: or in the case of the wife's earnings to avoid creating matrimonial discord. Any payment by the community to strikers must be of the nature of a reluctant payment. In principle therefore there should be no disregard applied either to strike pay or to tax refunds. These are clearly funds which are available and they reduce pro tanto any legitimate claim on the state.

6. Third there is the question whether "urgent needs" payments should be made to strikers. In general I agree with the recommendation that they should not. But I would qualify this to a limited extent in the case of the non union member. The union member has his union to fall back on. The non-union member does not. Some ultimate hardship provision does

therefore need to be made in the case of the non union member. But such payments should be severely restricted. Thus where child benefit is received, no supplementation is called for and in the case of the wife any help given should be less than the normal scale rate. Moreover any payment should be by way of loan. These terms are so unattractive that it is unlikely that union members would try to pass themselves off as non union members in order to get them. Nor would the non union striker claim them unless he was really desperate. Finally there would be no union to try and force the employer to pay off the loans as the price of settlement.

7. Next taxation of supplementary benefit. I agree that from April 1982 supplementary benefit should be brought into the tax net and tax refunds deferred as proposed in the case of unemployment benefit. Both these decisions flow almost inevitably from the decisions already taken on unemployment benefit.

In the circumstances which would then exist, I see no convincing grounds on which one could justify deeming the striker to have received the tax refund when he patently had not; particularly when it had been our own action which has prevented him from receiving it. But there would rarely be a "one for one" duplication of benefit as the additional supplementary benefit would itself attract tax at 25% or 30%. I would defend this situation on the basis that we had withheld tax refunds during the strike and it was this which was the cause of public affront: and that looking at the situation as a whole, the taxation of short term benefits including supplementary benefit was a major step forward in making it less attractive not to work. I would firmly decide to do this: but I see no reason why we should spell it out, and certainly not before 1982.

8. Finally I suggest that the best way of uprating the £12 deemed income from time to time would be to follow the income tax precedent (the "Rooker/Wise" amendment) and provide that the amount should automatically be uprated each year by reference to the retail price index unless overridden by Order. We propose redrafting the Rooker"Wise provision this year

to put it into better statutory shape and the same formula could then be applied here.

I am copying this to the members of your informal Ministerial group and to Sir Robert Armstrong.

Copy pld.

LORD COCKFIELD

7 March 1980