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CABINET

THE FINANCIAL TREATMENT OF STRIKERS AND
THEIR FAMILIES

Memorandum by the Secretary of the Cabinet

1. The Cabinet considered the problem of supplementary benefit paid to strikers' families at their meeting on 20 December 1979 (CC(79) 26th Conclusions, Minute 6). They agreed that further consideration should be given to different possible approaches to the problem.
2. An informal group of Ministers under the Prime Minister's chairmanship has now considered the problem in detail. This paper sets out their conclusions. For convenience it refers throughout to "strikers"; but in practice the proposals would need to apply to all those directly involved in trade disputes, whether on strike, laid off, or locked out.
3. When the Cabinet discussed this issue on 20 December there were doubts whether it would be practicable to differentiate between members and non-members of trade unions in settling entitlement to Supplementary Benefit; on the other hand the Cabinet were not at that stage prepared to accept that non-unionists should be deemed to receive strike pay which clearly would not be available to them. The Secretary of State for Social Services is, however, satisfied that a distinction based on membership of a trade union is practicable in operating the Supplementary Benefit system, so that the deeming of strike pay to union members alone is possible. That disposes of the practical objection to "deeming" strike pay for union members only. In its discussion, however, the Ministerial Group thought that the Cabinet should have another opportunity of considering whether it would be preferable to single out trade union members for special treatment, by deeming the payment of strike pay to them, or to approach the problem by the different route of arguing that the 'requirements level' of Supplementary Benefit for all strikers should be reduced without specifically deeming strike pay for the purpose.
4. The argument for the "deeming" option, confining the reduction to the strikers who are members of trade unions, is that the unionist has a potential source of income from his trade union which is not available to the

non-unionist, and that to extend the reduction to non-unionists could have the effect of putting pressure on non-unionists to join a union. In favour of extending the reduction to all strikers (the "reduced requirements level" option) it can be argued that it is offensive to public opinion for the State to subsidise strikers' families whether the striker is a member of a union or not; that this option avoids the necessity of giving statutory expression to "deeming" strike pay; that it does not put less pressure on unions to pay strike pay; and that it does not give the unions the opportunity of accusing the Government of discriminating against unions and their members.

5. Subject to a decision on this issue the Group agreed to recommend the following package of measures to the Cabinet -

a. The penalty (whether deemed strike pay or a reduction in the requirements level) should be set initially at £12 per week. Technically, to make the deeming option fully effective, deemed strike pay would need to be made ineligible for the present 'miscellaneous income' disregard in calculating Supplementary Benefit entitlement.

b. The penalty should be adjusted automatically at yearly intervals in line with the general movement in Supplementary Benefit rates (in order to minimise Parliamentary debate) but subject to a power to vary the updating up or down by Order when this seemed desirable.

c. Any strike pay actually received, up to the level of the penalty, should be left in the striker's hands and not counted as income for the purpose of calculating Supplementary Benefit. This is necessary in order to avoid the imposition of a double penalty.

d. Tax refunds received by strikers should be counted in full in calculating his family's entitlement to Supplementary Benefit (at present, where there is no other source of "miscellaneous income" the first £4 of the tax refund is ignored for Supplementary Benefit purposes).

e. Those on whom the penalty is imposed (in the "deeming" option striking trade unionists and in the reduced requirements level option all strikers) should be debarred from receiving urgent needs payments for hardship except where it arises from fire, flood, or other comparable emergencies unrelated to the dispute. Special payments related to the illness of a dependant (and very exceptionally of the striker himself) would continue to be made. This provision is necessary to avoid reduced entitlements to Supplementary Benefit being replaced by claims for urgent needs

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payments and thus nullifying the intention of the new arrangements. The Group recognised that the absence of a formal safety net could in exceptional circumstances lead to well-publicised cases of serious hardship. The Secretary of State for Social Services should therefore have power to make regulations which could be used to mitigate the severity of the basic proposal if later experience showed this to be necessary.

f. Supplementary Benefit paid to strikers should be made taxable at the same time as Unemployment Benefit and Supplementary Benefit paid to the unemployed (on present plans in April 1982).

6. Measures 5a. -5e. would be introduced in the forthcoming Social Security (No 2) Bill or in regulations made under it, and would come into effect at the time of the next supplementary benefit uprating in November 1980. Measure f. would be introduced in the 1981 Finance Bill and become effective from April 1982.

7. The Group recognised that, from April 1982, the change in the taxation arrangements could lead to a problem of "double payments" to strikers because the striker's tax position will then be "frozen" during the strike and any refunds paid only after he has returned to work. If no action is taken the striker's supplementary benefit will be increased during the strike to compensate for the absence of tax refunds and he will also get the tax refunds after he returns to work. This situation arises now when a striker cannot obtain tax refunds to which he is entitled, eg because his firm's pay clerks are also on strike. None of the possible techniques for coping with this problem is without difficulty and it could simply be ignored. But no final decision is needed at this stage.

8. The tax measure at 5f. will need to be announced as part of the Budget. The Group agreed that the Chancellor of the Exchequer and the Secretaries of State for Employment and for Social Services should jointly consider the timing of the announcement of the other elements in the package.

CONCLUSIONS

9. The Group invites the Cabinet to

i. Decide whether the financial penalty for strikers should apply to members of trade unions only, in the form of deemed strike pay, or to all strikers in the form of a reduced requirements level for supplementary benefit.

ii. Agree to measures a. -f. in paragraph 5 above, and to the proposals for the necessary legislation in paragraph 6.

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