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Prime Minister (2)

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Mr Lawson proposed
improved redundancy terms
for miners (again).

MS 17/2

17th February 1983

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

Dear Chief Secretary

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PROPOSED IMPROVEMENT IN REDUNDANCY TERMS FOR MINeworkERS

Following the Prime Minister's meeting on pit closures, held on 27 January to discuss my minute of 21 January, the National Coal Board have been considering the potential for achieving further acceleration in the rate of closures of uneconomic capacity without risking a probability of national industrial action. They have come to the view that some further improvement of the redundancy terms is essential if they are to attract sufficient "willing redundancies" to blunt the National Union of Mineworker's ability to stimulate national resistance to closures. Norman Siddall has emphasised this point to me. I believe it would be better to introduce these improvements now than to wait until later in the year, when circumstances may be such that we appear to be introducing them under the pressure of a developing confrontation on closures. I also wish to avoid giving the National Coal Board any possible excuse for delay on closures.

The attached note (Annex A) sets out the proposals to which I would now like your agreement. The improvements proposed apply almost wholly to persons aged 50 to 54 years at redundancy. They are much more limited in scope than the across-the-board improvements made in March 1981.

The reason for concentrating on this age group is as follows. Since the general improvements in terms two years ago, the Board have very much increased the rate of redundancy, and consequently the number of men on colliery books fell by 12,000 in 1981/2 and should fall by between 9,000 and 10,000 in 1982/3. But some 95% of redundancies have been of men age 55 or over, for whom the present terms provide substantial weekly benefits. The numbers of such older men in the Board's employment have been substantially reduced, (from 37,200 in December 1980 to about 26,000 today). In 1983/84 about 60% of redundancies will continue to be over 55s, but the Board believe it will not be possible to achieve the closures in the Board's 'reference case', let alone a higher level, without also making several thousand people aged under 55


redundant. The re-employment prospects of people aged between 50 and 55 made redundant in mining areas are poor, especially in the peripheral coalfields, and in the Board's view such people will not accept redundancy in sufficiently large numbers unless they are assured of a significant weekly benefit, continuing through to the normal retiring age if necessary. (The payment of "unemployment benefit equivalent" to these men, which is the major element in the proposed improvements, would of course cease if a man obtained a new job).

Because the improvements suggested are of continuing weekly benefits rather than of lump sums payable at redundancy, the costs of applying the improvements to the level of redundancies projected from 1983/84 in the 'reference case' are initially quite small: about £2 million in 1983/84 and £8 million in 1984/85, rising to around £20 million a year later. But the aim would be, of course, that a substantially higher level of redundancies would be achieved through the improved terms. If, as the Board believe possible, there were 2000 additional redundants in 1983/4 as a consequence of the improvements, the total cost of the improved terms for these might be £20-25 million in 1983/4 and £15-20 million a year in later years. These costs, and the cost of improvements for redundancies already projected, would be more than recovered through reduced operational costs for the industry in 1984/5 and subsequent years. This applies whether the additional redundancies arise through more closures or through other rationalisations, as is shown in Annex B. I shall at the same time be monitoring the Board's manpower policies closely, and will press them to agree to effective methods of ensuring that the full costs of redundancies, not just the costs falling on the Board's accounts, are taken into account at Area level, where decisions on redundancies are made.

I shall be aiming to obtain some reimbursement of the cost of the improvements from the European Coal & Steel Community. A large part of the cost arises, of course, from an increased number of redundancies, and reimbursement of part of the cost of these can be expected almost automatically. My officials have already discussed the proposed improvements informally with the Commission, who have confirmed that the form of what is proposed causes no particular difficulties. But it would at best take several months to get formal Commission agreement to reimburse 50% of the cost of the improvements, or longer if - as is possible - the request became entangled in wider discussions on Community coal, in which our demands for increased reimbursement of social costs, and the financial resources available to the European Coal & Steel Community, are central issues. Apart from other difficulties of delay, the fact that proposals were being considered by the Commission would be bound to leak. This would bring progress on redundancies to a halt until the new terms were announced. I will, however, put in a formal request for the European Coal & Steel Community financing as soon as I have your agreement to the improvements.

I would be grateful for your agreement by 23 February. During the week beginning 28 February I must in any case lay before Parliament an order amending the redundancy scheme, and to avoid undesirable attention being drawn to the improvements and, more particularly, to the reasoning behind them, it is most desirable that the improvements are incorporated in this order. I would propose that they be effective for persons redundant on or after 6 April 1983.

I am copying this letter to the recipients of my minute of 21 January, and also to Patrick Jenkin, who is responsible for redundancy schemes in the steel and shipbuilding industries and may wish to comment on any implications of my proposals for those schemes.

Yours sincerely


PP NIGEL LAWSON

(Approved by the Secretary of State and signed in his absence)

THE PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

A Persons aged 50 to 54 at redundancy

1 At present these people receive (together with statutory redundancy pay):-

a Lump sum payments under the Government's Redundant Mineworkers Payments Scheme (RMPS).

b Immediate payment of their pension under one or other of the coal industry's schemes. This would presently amount in most cases to around £25 per week, though as men gain more service in the earnings-related schemes the amount will gradually increase in real terms. The pension is paid by the Schemes but the Government reimburses the cost of paying it early.

2 We propose that these people should receive also under the RMPS:-

a Once their entitlement to unemployment benefit is exhausted (normally a year after redundancy), as long as they remain unemployed payments equal in amount to the entitlement to unemployment benefit which they would have but for this exhaustion (ie currently £40.45 a week for a man with a dependent wife).

b A supplementary payment making their pension up to £35 per week, or whatever amount is subsequently prescribed by regulation under the Social Security (No 2) Act, 1980 as the amount of occupational pension which may be drawn together with unemployment benefit by a man aged 60 or over. In a way analogous to the operation of that Act, any pension received in excess of £35 per week would result in abatement of unemployment benefit equivalent.

The overall effect of these proposals is that a beneficiary would receive £35 per week plus unemployment benefit or unemployment benefit equivalent. On the assumption that the £35 limit will probably be increased more slowly than the cost of living, the

pension payment will gradually catch it up and the supplement will disappear.

Furthermore, the real value of pensions payable to new redundants in later years will be higher, and after about 1987 it is unlikely that many will receive the supplement.

3 In addition, these beneficiaries should receive concessionary coal on the same basis as retired employees of the Board, as do persons aged 55 or over at redundancy at present. The cost to be reimbursed by Government, as for the older men.

B Persons aged 55 or over at redundancy

4 These people currently receive under the RMPS lump sums (if aged up to 59 at redundancy), an earnings related weekly benefit of up to about £60 a week for 5 years (or to the retiring age if earlier), and unemployment benefit equivalent to the retiring age. In addition, they receive their pension once the earnings related benefit finishes.

5 The only improvement proposed for these people is to pay a pension supplement once earnings related benefit is exhausted, on the same basis as for persons age 50 to 54 at redundancy. No such payments would be made for 5 years, by which time the expected fall in real value of the £35 limit would make the amount of supplement payable very small. But the addition will be valuable presentationally, particularly in dealing with persons aged 55 or 56 who are sometimes wary of accepting redundancy in view of the 4 or 5 years elapsing between expiry of the earnings related benefit and the retiring age.

C Persons aged under 50 at redundancy

6 These people receive lump sum payments only under the RMPS on an age, experience, and final earnings related scale. It is not proposed to increase the maximum amounts payable to people in their late forties, but to make these maxima apply from age 40 onwards with quicker progression at earlier ages.

COSTS AND BENEFITS OF IMPROVED TERMS
FOR REDUNDANCIES IN 1983/84

	£ MILLION, OUT-TURN				
	1983/84	1984/85	1985/86	1986/87	1987/88
Cost of improvements in terms applied to 10,500 redundancies already planned for 1983/84	2	5	8	9	9
Costs of existing and improved terms for additional 2000 redundants in 1983/84	20	7	9	9	10
Total additional cost for 1983/84 redundants	22	12	17	18	19
Cash saving on assumption redundancies associated with extra closures (about 0.6 mtpa)	13	33	37	39	42
Net benefit (total £76m)	- 9	21	20	21	23
Cash saving on assumption redundancies associated with general manpower reductions	11	23	25	27	29
Net benefit (total £27m)	- 11	11	8	9	10

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