



Prime Minister

The Chief Secretary
agrees to the improvedTreasury Chambers, Parliament Street, SW1P 3AG *miners' redundancy*

Rt Hon Nigel Lawson MP
Secretary of State
Department of Energy
Thames House South
Millbank
London SW1P 4QJ

*terms, subject to various
conditions.*

MUS 25/2
24 February 1983

2 Nigel,

PROPOSED IMPROVEMENTS IN REDUNDANCY TERMS FOR MINeworkERS

Thank you for your letter of 17 February in which you seek certain improvements to the statutory redundancy terms for mineworkers.

The improvement in the terms which you propose is extremely generous. For example, a 50 year old made redundant will receive, in his years to 65, some £60,000 if the £35 limit in the Social Security (No 2) Act 1980 is reduced by 3 per cent a year in real terms, or £65,400 if the limit is maintained. This compares to the £45,600 receivable under present terms. It is also debatable whether it is necessary to disclose the improved terms now rather than later when it would be clearer whether they would be required to achieve a higher level of closures. I am prepared nonetheless to agree to the improvements but only if you and Patrick Jenkin can agree to the following points.

- (i) Our understanding of the public expenditure consequences of the proposals are set out in the Annex to this letter. My agreement to the proposals is subject to your agreement that these consequences will be dealt with in the following way:-

For 1983-84, the extra costs fall under three heads:-

(a) Extra social costs count towards the NCB's EFL. The Board will absorb these costs within the existing EFL from the additional operating cost savings as a result of the extra redundancies. Annex B of your letter suggests that these savings will be higher than the £8 million extra social grants referred to in the Annex to this letter.

(b) The Annex suggests that the cost for the RMPS scheme of the improved terms and the hoped for higher level of redundancies is £18 million. I must ask that you agree now to find offsetting savings for this expenditure, either from your Departmental programmes or the energy nationalised industries. A possible source here is BGC. That Corporation's latest monitoring return forecasts an underspend in their 1983-84 EFL of £17 million with a projected outturn of -£31m.

(c) Line 2 of the Annex shows that expected redundancies on the existing RMPS terms and on the basis of the NCB's "reference case" would add £20 million to the PEWP baseline for the RMPS scheme. Since this cost arises from existing policy, and in the special circumstances of the coal industry, I am content not to press for offsetting savings on this particular occasion.

For the later years, the extra cost should be treated as an additional bid in the 1983 PES in the normal way, and I should make clear now, that there should be no presumption that an increase in your programme will be agreed.

- (ii) I should like Patrick Jenkin to confirm that the proposed improvements to the miners' scheme would not cause him to come forward with proposals for additional public expenditure for the steel and shipbuilding schemes. If he saw difficulties with his schemes, we would need to think again about your proposals.
- (iii) The purpose of the redundancies would be frustrated if the NCB maintained a level of recruitment which was above the barest minimum necessary. I know that your officials have put in a special effort recently to impress upon the NCB the importance of minimising new entrants to the industry and I should be glad if you could impress this upon the Chairman of the Board when you notify him of the improvements. In addition, our officials should confirm that the Board's recruitment policy is satisfactory and agree with the Board arrangements to monitor recruitment.

If you can confirm your agreement to the points at (i) and (iii) above and Patrick Jenkin can give the confirmation sought at (ii), I can then give my agreement to the proposals.

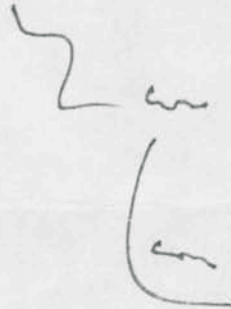
When announcing the new terms it will be important to do so in a low key way which does not draw attention to the extremely generous level of benefits, provided at taxpayers' expense, available under the scheme. No doubt this can be done in a way which permits the NCB to make maximum use of the new benefits within the coal industry.

I also suggest that our officials should consider the case for including the RMPS payments within the NCB's EFL. There may be technical difficulties about this, but it needs to be examined. Existing arrangements may give the NCB an incentive to regard RMPS payments as "a free good" since they fall outside the Board's own finances. This concern is, I think, reflected in your suggestion that the Board should be pressed to agree to effective methods of ensuring that the full costs of redundancies, not just the costs falling on the Board's account, are taken into account at Area level, where decisions on redundancies are made. I certainly support that.

Finally, let me say that I strongly support your proposals to obtain some reimbursement of the cost of the improvements from the European Coal and Steel Community.

S E C R E T

I am sending a copy of this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Industry, Employment, Scotland and Wales, to Sir Robert Armstrong and John Sparrow.

A handwritten signature in dark ink, consisting of a stylized 'L' followed by 'e' and 'n', with a large loop underneath.

LEON BRITTAN

S E C R E T

Nat Ind ; Coal. Pt 7

25 FEB 1961

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