WAR CABINET, 310.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, S.W., on Tuesday, January 1, 1918, at 6.30 P.M.

Present:

THE PRIME MINISTER (in the Chair).

The Right Hon. GEORGE N. BARNES, M.P. | The Right Hon. SIR EDWARD CAIBSON, K.C., M.P.

The following were also present:

The Right Hon. W. S. CHURCHILL, M.P., Minister of Munitions.
The Right Hon. SIR ALBERT STANLEY, M.P., President of the Board of Trade.
The Right Hon. G. H. ROBERTS, M.P., Minister of Labour.
SIR DAVID SHACKLETON, K.C.B., Permanent Secretary, Ministry of Labour.
SIR STEPHENSON KENT, K.C.B., Director of the Department of Labour Supply, Ministry of Munitions.

SIR ALAN ANDERSON, K.B.E., Controller, Admiralty.
Mr. U. WOLF, Ministry of Munitions.
Major J. W. HILLS, M.P.
Mr. G. CAMPELL, Ministry of Munitions.
Mr. C. S. HURST, Ministry of Munitions.
Mr. W. J. LARKE, Ministry of Munitions.

Lieutenant-Colonel SIR M. P. A. HANKEY, K.C.B., Secretary.

Captain the Hon. W. ORMSBY-GORE, M.P., Assistant Secretary.

The Labour Situation:
The 12½ per cent. dilemma.

THE War Cabinet continued the discussion begun at War Cabinet 309, Minute 3.

Mr. Barnes stated that the Cabinet Labour Committee had met at 3 P.M. that afternoon, and had endeavoured to unravel the difficulty occasioned by the 12½ per cent. increase to certain time-workers. The usual telegrams had been received regarding threatened stoppages of work. Several strikes had actually commenced: bricklayers were out in Glasgow, and steel-smelters were not lighting up the furnaces, and so resumption of work after the holidays would be delayed. The number of applications received by the Committee for consideration was so great that it was impossible for them to go on dealing with the cases at issue in the same way as they had been attempting to do in the last few days. On the other hand, he was of opinion that it was quite impossible to deal with the cases in bulk; each
trade would have to be considered by itself. Hitherto the Committee had kept clear of any piece-work applications. The only case affecting piece-workers that had been approached was that of the Belfast shipyard workers, to whom an increase had been given by the Committee on Production. This case was up for re-hearing this week. It was a somewhat special case, owing to the fact that many of the Belfast men were only working three days a week because of the shortage of material. The Labour Committee recommended that the Cabinet should issue a declaration, to be made on behalf of the Government. The War Cabinet Labour Committee found that there was no logical stopping-place for the extension of the 12½ per cent. bonus by the inclusion of all munition workers, but this fact could not be put in a declaration. They thought that discretion might be left to negotiations within the limit of all munition workers as ordinarily understood. Other kinds of workers must negotiate advances in wages, including the extension of the 12½ per cent. bonus, in the usual way—through their employers or through an agreement with the Ministry of Labour. It was quite impossible to extend wages advances over the whole country without examination into each separate case. Mr. Barnes felt that the whole labour world was on edge in regard to the question, and he read a letter from the President of the Board of Education regarding the position at Sheffield, which showed that the most fantastic notions were being circulated by a small knot of revolutionaries. For instance, it was being said that the situation had been engineered by the Government for the purpose of creating a revolution in order that the Government might shoot down the revolutionaries. Mr. Barnes then read to the Cabinet two alternative drafts, which should form the basis of the Government’s declaration. One had been drawn up by himself (Appendix), and the other by Sir Auckland Geddes. The main difference between the two consisted in the inclusion, in Sir Auckland Geddes’s proposed declaration, of a definite assurance to be given by the Government that they would take the whole of the excess profits, instead of only 80 per cent, as at present.

The Prime Minister stated that he had seen Mr. George Terrell, M.P., who represented a certain Federation of Employers. The suggestion put to him by the latter was that, before deciding the question, which affected all the employers of the country, it was absolutely essential that the employers should be heard and consulted. The Government had to consider what would be the effect of the proposed declaration upon the working of the whole industrial machine of the country. He gathered that the case of the employers could be summarised as follows:

(a.) There were numerous cases where little or no profit was being made by employers before the War, and that the taking of the whole of the excess profits would consequently act most unfairly between employers whose business was flourishing before the War and those whose business was not then flourishing;

(b.) Many of the employees were earning four or five times the wages that they were making before the War, these increases in wages being far in advance of any increase corresponding to the rise in the cost of living.

It would be quite impossible for the Government to include a statement that they would take the whole of the excess profits without hearing the views of the Chancellor of the Exchequer, who was absent in Paris. The Chancellor of the Exchequer had strong views upon this question, and he gathered that the latter’s opinion was that, if all the excess profits were taken, nothing would be left to the employers of this country for the purpose of developing and extending their business. The Prime Minister added that he had promised to see some of Mr. Terrell’s people on the following day.
Sir Albert Stanley stated that, in his opinion, it was both just and necessary that the employers should be consulted before any declaration, such as was proposed, was made by the Government. Mr. George Terrell’s organisation did not represent all the employers of the country, and he suggested that a selected list of representative employers should be drawn up by the Board of Trade, and that they should be interviewed by the Cabinet, if possible, this week.

Sir Auckland Geddes stated that the sentiment regarding excess profits now prevailing among the wage-earners of the country was profound, and vitally affected the reception that would be given to the Government proposals regarding manpower and recruiting.

Mr. Churchill stated that, in his opinion, it was just and right that the whole of the excess profits should be taken, but he quite agreed that the employers should be seen first, and that the question should not be settled without a clear understanding with the employers. The policy of the War Cabinet Labour Committee laid down that the Ministry of Munitions should have power to extend the 1¼ per cent. bonus or its equivalent over the whole of the munitions industry in cases where the Ministry of Munitions considered that such an extension should be made. As regards time-workers, two-thirds of the area concerned had already been covered, and an extension to the remaining one-third would involve the State in a further expenditure of about 8,000,000 a year. As regards piece-workers, he understood that the Trades Union leaders agreed that no wide extension of the 1½ per cent. bonus or its equivalent was desirable or necessary. The piece workers would have to be dealt with by adjusted piece-rates in each trade separately, where the rates were so low as to be no longer an inducement. The Trades Union Advisory Committee were of opinion that employers should settle the terms with their piece-workers while the Ministry only dealt with time-workers. There were forty strikes threatening, but in nearly every one of these cases the classes affected would obtain the advance under the proposed extension. He felt that the problem of the piece-workers could be left to work automatically. In many cases the piece-work earnings were so high that there was little or no risk of a strike, as the piece-workers, by going out for two weeks, would lose more money than they could hope to gain by any advance for a long period.

Sir Albert Stanley pointed out that there was considerable danger that the demand would spread from the munition workers to the mines and railways, particularly the latter. It was impossible to prevent the railwaymen in the shops making a demand for the 1½ per cent. increase, as the men engaged in munition work in railway workshops could not be treated differently from munition workers, and once any man in the railway workshops was given the 1½ per cent increase all the others would press for a similar increase.

Sir Albert Stanley stated that Mr. J. H. Thomas, M.P., was opposed to the extension of the 1½ per cent. to the railway workshops. In this connection Sir David Shackleton pointed out that the railway shops were only partially controlled by Mr. J. H. Thomas’s union; the craft unions had a considerable membership.

Sir Auckland Geddes stated that the position as regards railwaymen had already been turned on another flank, namely, by the National Maritime Board, of which Sir Leo Chiozza Money is Chairman, somewhat sudden grant of an increase in the wages.
of seamen on railway boats. The difficulty appeared to be that, unless some stand were taken, the demands would extend by similar methods from one industry to another, until every kind of extraneous trade was included.

The Prime Minister stated that, as far as he could see, it was now impossible to stop. We were not in a position to face a serious strike, as there was no logical ground upon which to take the strike.

Mr. Roberts agreed with this view, and stated that the question had become psychological. The wage-earners of all kinds had got this question into their heads, and there was no stopping it.

Sir Edward Carson added that it appeared like a flame in a forest, which would extend until the whole forest was consumed, and involve the State in an expenditure of countless millions.

Sir David Shackleton pointed out that, owing to the present situation, a nest of trouble was being created in every industry. A municipal employer had pointed out to him that many different rates of wages were being paid in their works at the present moment. Some men had got 12s. advance, others 16s., others 20s., some had already got the 12½ per cent. advance, while others had not. The Belfast employers and employed were combining to exploit the public by agreeing, without any consultation with the Government, to large increases in wages, but the Committee on Production had refused to sanction the agreement.

Sir Alan Anderson stated that the shipbuilding employers had informed him that, in their opinion, the 12½ per cent. increase would have to go round all time-workers in the shipyards, and that concessions would then have to be made to men paid by results. The only way in which the Government could get anything back would be to increase and extend the principle of payment by results. He would like to see an extension of the principle of premium bonus.

In this connection Mr. Roberts stated that it would be impossible to bribe the men to agree to an extension of the system of premium bonus.

Sir David Shackleton added that the 12½ per cent. increase had done more to kill the premium bonus principle than anything else in the last ten years. It was quite impossible now to get the men to withdraw their opposition to the system of payment by result. They considered the refusal to extend the 12½ per cent. to piece-workers and premium-bonus workers a penalty on higher wages due to increased effort.

The War Cabinet decided—

(a.) That, before taking any final decision, the views of representative employers should be heard.

Sir Albert Stanley undertook to assemble a suitable deputation to wait upon the Prime Minister on Thursday or Friday afternoon next.

(b.) Meanwhile the Minister of Munitions to have authority to negotiate within the general area of munitions trades, with a view to defining, both by extension and interpretation, the scope of the existing Orders, with power to include any such trades, provided always that the extension was limited to time-workers.

2, Whitehall Gardens, S.W.,
January 2, 1918.
APPENDIX.

Draft Statement by the Right Hon. G. N. Barnes, M.P.

THE Government find it necessary to place certain facts before the nation. The collapse of Russia and the weakening of Italy has thrown upon us a great strain and a great duty. It is therefore no time for wage scrambling or profiteering. The Government has come to the conclusion that neither one nor the other can continue. The idea that any class has a right to make money out of the nation's needs must be combated wherever it appears. If it be found that the Government have not sufficient power to see to this without additional legislation, then that legislation will be sought.

The Government are doing all in their power to deal with the food situation. A determined effort is being made to abolish the food queues. The Local Committees are being armed with additional powers, and are being encouraged to use those powers to the fullest extent so as to distribute food on the basis of share and share alike.

Advance of wages have recently been given by the Government to certain sections of workmen in the engineering and shipbuilding trades. These advances arose out of an honest intention to remedy an admitted anomaly. In practice it has been found impossible to keep them within the original limits, and this has led to much agitation and trouble. It is imperative now, however, to come to a stop. Limits must be set to the area within which these wage advances can be paid. There are certain outstanding negotiations taking place as between the Minister of Munitions and the workpeople concerned. The Minister has therefore been directed to convene trades' conferences in certain cases in order to ascertain whether and to what extent any consequential change is called for.

Beyond this, advances of wages can only be negotiated in the usual way on proof of increased cost of living, or in the form of payment by results, or for some very exceptional cause. The best way in which the mass of the British people can be helped through the present grave period in our national fortunes is, not by raising wages all round, but by keeping down the cost of living by every means in human power, and by preventing any class or section making money out of the war. It is to that the efforts of the Government in the new year will be constantly directed.