WAR CABINET, 491.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, S.W., on Thursday, October 24, 1918, at 3 P.M.

Present:
The Prime Minister (in the Chair).
The Right Hon. G. N. Barnes, M.P. | The Right Hon. A. Chamberlain, M.P.

The following were also present:—
The Right Hon. G. H. Roberts, M.P., Minister of Labour.
Sir D. J. Shackleton, K.C.B., Secretary, Ministry of Labour.
The Right Hon. W. S. Churchill, M.P., Minister of Munitions.

Mr. Thomas Jones, Assistant-Secretary.

Industrial Demobilisation.

1. With reference to War Cabinet 431, Minute 9, the War Cabinet had before them the following documents:

   Memoranda by the Minister of Munitions (Papers G.T.-5863, 6041).
   Memoranda by the Minister of Labour (Papers G.T.-5947, 6001).
   Memoranda by the Minister of Reconstruction (Papers G.T.-5851, 6047).
   Minute 1 of the Ninth Meeting of the Economic Defence and Development Committee, dated 24th September, 1918.

Mr. Churchill said that it was not desired to settle the large problems of reconstruction now, but to obtain, without prejudice to such settlement, the decisions which were immediately required in view of the possible near approach of demobilisation. The powers required had been classified in his memorandum (Paper G.T.-6041) under the following seven heads:

1. The termination of contracts for the supply of munitions.
2. The disposal of stores, stocks of materials, machinery, &c., in the possession of the Ministry of Munitions.
3. The arrangements for the disposal, or post-war use, of national factories, with their plant and equipment.
4. The control of materials during the transitional period.
The special arrangements with the iron and steel trade required in order to secure continuity of output from the blast furnaces and rolling mills.

The reinstatement of peace industry, particularly in the engineering and chemical trades.

The demobilisation of civilian munitions labour.

The Prime Minister said that it was impossible, at this stage, to foretell how the armistice and peace negotiations would proceed. The conditions of the armistice would not be final, and the Germans might ask for terms which would not be acceptable. While, on the one hand, if the probabilities of peace were very high, it would be a mistake to continue piling up munitions of war; on the other hand, so long as there was any possibility of hostilities being resumed, it would not do to dismantle factories or turn them entirely on to peace products. Assuming that the Government had to be ready for either contingency, it was important to provide for the thousands who might conceivably be thrown out of work in the transitional period, and especially for the discharged women.

Mr. Chamberlain said that much would depend on the terms of the armistice. The Minister of Munitions should not cease or slacken his production until he received instructions from the War Cabinet, but he should be prepared with a policy which could be put into operation in harmony with these instructions. He should be free to complete the manufacture of products which were nearer a war stage than a peace stage. In the case of commodities like iron and steel, he could carry the preliminary processes of production up to the point where civilian and war production began to diverge, and keep it at that neutral point as long as possible. On the signing of an armistice he should not interrupt the manufacture of goods like guns, aeroplanes, and tanks, which covered many months from start to finish; but in these cases the earliest processes might be arrested. Generally, the principle to be borne in mind was that every legitimate effort should be made to prevent unemployment and its accompanying demoralisation. It was far better to run the risk of manufacturing commodities which would not be required, and to resolve them into their elements later, than to have multitudes in receipt of unemployment benefit. With regard to the termination of contracts for the supply of munitions, the Minister of Munitions should be given a general sanction from the Treasury to make the best bargain possible. No one outside the Ministry was competent to say in a specific case whether it was preferable to proceed with the manufacture. It was a matter of degree. Full authority should be given to the Minister to use his discretion as to when any factory should be turned from war work to peace work, subject to the general instructions of the War Cabinet as to the military position.

Mr. Churchill said that commodities varied very largely, not only in the time required for their manufacture from the first stage to the last, but also in the amount of reserves in the country. In some cases the reserves were equal to a few weeks' supply; in others there were ample supplies for many months, and during the uncertain conditions of an armistice it would be possible for him to slow down in the case of ample supply, and to continue normal production in the other cases. The period between the armistice and the peace ought to be utilised, as far as possible, in preparing for peace conditions. Fortunately there were certain products, like rails, which had an ambiguous value and could be used in either peace or war; and there were other devices, like working short time, which could be resorted to in order to lessen the amount of unemployment. Processes of manufacture covering eight or nine months could be stopped at the initial stages.

Dr. Addison said that the more material the Ministry of Munitions could release for peace products, the greater the start we should have over the Germans in recovering the commercial markets of the world. The same would apply in the case of the textile trades,
under the direction of the War Office. The percentage of their war production could be reduced by many units during the armistice period. In places where girls were engaged on repetition work in munition factories, unemployment benefit would, sooner or later, be required, except in case of those whom it might be possible to absorb in the textile and similar trades.

Sir J. Stevenson said that a Committee had been considering what could be done to provide work for the shell-girls, and it was thought that they could be employed in manufacturing things which were formerly imported, or at least they could be preparing for such manufacture.

Sir Robert Horne said that the problem of the Admiralty was a smaller one, as the labour with which they were most concerned was engaged on merchant ships and naval craft. Any labour diverted from the latter could all be absorbed on merchant shipbuilding. Of ordinary shells there was a considerable supply. In the case of a certain new shell, the production would be continued until there was a complete outfit for the navy. He presumed that the armistice would provide conditions that would involve a complete stoppage of submarine warfare, and this would relieve some elements of production.

Mr. Roberts said that, from the standpoint of unemployment, a very great deal would depend on the amount of material which the Ministry of Munitions could release for the manufacture of peace products.

The Prime Minister asked whether anyone had worked out what the depletion of the labour reservoir, due to the war, would be in reference to peace demands. There would, perhaps, be 1,500,000 who had been killed or disabled, who would otherwise have been in the labour market but for the war, and there were those who would have emigrated. On the other side, we had to consider the probable demands for labour—the arrears in every direction, in the manufacture of ships, locomotives, machinery, textiles, supplies for the Colonies, houses, and improved roads at home.

Dr. Addison said that a calculation had been made that during the transitional period there might be 500,000 persons for whom the Government would have to make special provision for some six or nine months. The rapidity with which these could be absorbed would mainly depend on the supply of raw materials and on the length of the notice which the Government would be able to give, during the armistice period, of the time when the war would end.

The Prime Minister said that, in his view, the work of demobilisation was so important that it should be put in the charge of some one officer who should be responsible to the Minister of Labour for the movement of men over the country. A huge machine would be required to absorb the men as they came from the Army, and to distribute them through the country where work was available for them. Unless this were done swiftly and efficiently there might be serious disturbances. A promise had been given that work should be found for the demobilised men, and this, of course, might involve turning out large numbers of women.

Dr. Addison and Mr. Churchill concurred in the desirability of appointing such a Director-General of Civil Demobilisation, although it might not be wise at this stage to adopt such a name for the post. Mr. Churchill added that he proposed to hand over his Labour Department to be placed under this officer.

Mr. Chamberlain stated that there were really three main divisions of duties to be arranged. The work of demobilisation and re-settlement, on its civilian side, should be done by the Ministry of Labour; the demobilisation of the controlled factories should be carried out by the Minister of Munitions, in consultation with the War Office, the Admiralty, and the Air Ministry; the provision of programmes of reconstruction work, and the order of their priority,
would fall to the Ministry of Reconstruction. He would like the Minister of Labour and the Minister of Reconstruction, in the light of this discussion, to put forward the specific powers they required from the War Cabinet in order to carry out these duties.

Sir Auckland Geddes stated that what was now proposed involved the transference to the Ministry of Labour of the Labour Department of the Ministry of Munitions and the Admiralty, and certain adjustments would be required also with the War Office and the Ministry of National Service. It would be absolutely necessary, therefore, that the Ministry of Labour should be greatly reinforced in personnel, and a new Joint Secretary, rather than a Director-General, appointed to be responsible for the work of demobilisation. In his opinion, a registration system would be needed, and it could be built out of the military register of the National Service Ministry, which might, in whole or in part, be handed over to the Ministry of Labour. Further, there would have to be developed the machinery for out-of-work benefit which was proposed. The key to success in demobilisation was the Employment Exchange Service. If there were any breakdown at all, it would be at the Exchanges, and the first thing to do was to overhaul and strengthen the staffs, now depleted by recruiting, and for other reasons not very efficient. In many centres the Exchanges did not enjoy the confidence of the larger employers and some of the Local Advisory Committees were indifferent. The question of the demobilisation and absorption of officers into civil occupation was scarcely a less anxious one than that of the rank and file. In his opinion, the machinery, both at the War Office and under the Ministry of Labour, required considerable development. In this connection the experience of Canada would repay study.

Mr. Roberts said that there had been a marked improvement during the war in the quality of the work done by the Exchanges. The framework was there, and what was now required was a considerable expansion. The immediate release of men from the Army was absolutely essential in order to strengthen the staff, and more accommodation was urgently needed.

Sir Robert Horne said that he had not had an opportunity of discussing with the Board of Admiralty the question now under consideration, but, speaking for himself alone, he thought the general scheme as to demobilisation which had been put forward by the Minister of Munitions in his memorandum was a sound one.

The War Cabinet decided—

(a.) To approve the recommendations made in the memorandum by the Minister of Munitions (Paper G.T.-6041), and gave the necessary sanction for the powers therein asked for;

(b.) To approve the appointment of an additional Secretary to the Ministry of Labour, who should be specially charged with the work of civil mobilisation;

(c.) To approve the proposal to transfer to the Ministry of Labour from the labour machinery of the various Government Departments, including the Labour Department of the Ministry of Munitions and the Labour Department of the Admiralty, such staff as may be necessary for the work of demobilisation;

(d.) To authorise the Minister of Reconstruction in conjunction with the Minister of Munitions to prepare schemes for the utilisation of national factories in connection with public peace requirements;

(e.) To request the Minister of Reconstruction and the Minister of Labour to submit, at an early date, a summary of the powers which they would require in order to carry out the work of demobilisation, for which they required Cabinet sanction.
2. In connection with the previous minute, and with reference to War Cabinet 487, Minute 17, the War Cabinet briefly considered the question of the undertaking which had been given to the Trade Unions to restore their pre-war practices.

Mr. Churchill reminded the War Cabinet that serious conflict would arise with the Trade Unions the moment demobilisation began, unless some satisfactory agreement with them had been come to in advance on the question of the pledges. If the pledges were to be kept, not a single dilutee could be employed on work done before the war by skilled men. For the Government to pass the Bill which had been prepared would be to give powers which might be used to clear out tens of thousands of women from the factories. In his opinion, it would be infinitely better for the Government to bring forward an advanced programme of industrial betterment instead of proceeding with the Bill.

The Prime Minister asked whether the Trade Unionists were entitled to more than that they should not be deprived of employment because an unskilled man was in their place. Would they have any grievance if there were work for the skilled men and for the unskilled? It should suffice to guarantee that the skilled man had his job.

Mr. Roberts said that, however irrational it might appear, nothing short of the statutory fulfilment of the pledges would satisfy the men. By this means they meant to increase their bargaining power.

Dr. Addison said that, if the men obtained the Bill, he felt confident they would be willing to enter into bargains with the employers for the continuance of the dilutees. Definite promises had been given, and, unless they were honoured, the Government would lay up for itself a mass of trouble.

Sir David Shackleton said it was most desirable that the period of the armistice and the peace should start with good feeling between the Government, the masters, and the men. Failure to fulfil the pledges would be tantamount to throwing over the accredited leaders of the Unions, who would be charged with having betrayed the men. The upshot would be the destruction of organised Trade Unionism and a great stimulus to the extremists.

Mr. Barnes thought it would be worth while making a serious conciliatory effort by calling a Conference of masters and men, putting before them frankly the difficulties which confronted the Government, and appealing to them to support the larger policy indicated by Mr. Churchill.

Mr. Chamberlain supported the suggestion of a Conference. He thought there would be great difficulty in passing the proposed Bill through the House of Commons, because the Bill in effect was one to legalise what everyone knew to be intolerable industrial practices.

No decision was reached.

2, Whitehall Gardens, S.W.
October 25, 1918.