CONFIDENTIAL

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STEEL STRIKE

NOTE OF A MEETING HELD AT 10 DOWNING STREET
AT 3:30pm ON 2 JANUARY, 1980

PRESENT:

PRIME MINISTER
CHANCELLOR OF THE EXCHEQUER
SECRETARY OF STATE FOR INDUSTRY
MINISTER OF STATE FOR INDUSTRY (Mr Adam Butler)
MR D B SMITH (Department of Employment)
MR N J MONCK (Treasury)
MR S GROSS (Department of Industry)
SIR ROBERT ARMSTRONG }
MR P MOUNTFIELD } Cabinet Office

MINISTERS resumed their discussion, begun on 31 December, about the steel strike. The following points were made:

(a) The strike had now begun. It would cost the British Steel Corporation (BSC) at least £40 million a month. The wider effects on British industry could be very damaging if action were prolonged, leading to substantial lay-offs and bankruptcies. Government would come under increasing pressure, from the Confederation of British Industries and from Backbench MPs, to take some action.

(b) The strike would eventually have to be settled. There was still a chance that this would happen on the basis of the present offer, without further improvements. Some strikes in the private sector had apparently been settled on similar terms (although the full costs have not always been widely publicised). The details of the present BSC offer were not well understood, either by the steel workers or by the public at large. But it was possible that intransigence, and with it the cost of a settlement, would grow as the dispute continued.

(c) The Government was determined to maintain the cash limits for the industry. It was important to correct the belief, apparently held in some trade union circles, that the Government would eventually relent on this point.

(d) If the cash limits were maintained, the best hope of a settlement lay in an improved productivity deal. Ideally it should be a totally genuine productivity deal, with benefits accruing only as increased productivity was achieved. If there were to be any question of a type of 'productivity on account' scheme, the scheme must involve a measurable definition of productivity, and be capable of regular and early monitoring; it must be possible to report improvements and deterioration in performance promptly and clearly to the workforce; and there must be clear agreement that additional cash benefits should be withdrawn immediately productivity fell below the required level. Productivity in the British Steel industry was already far below that in our continental competitors: indeed at present prices the value added in the manufacturing process was not sufficient to cover labour costs.

(e) The BSC offer already left room for such schemes in principle, although the details remained to be worked out and in most cases would have to be devised plant by plant.

(f) The workforce might be more prepared to accept local productivity deals than the ISTC (with its long tradition of central negotiations and pay arrangements), which was at present strongly opposed to them. There might be scope at some stage for a postal ballot of the workforce, which could be organised and financed by the BSC without the need for legislation; at present, however, a ballot was likely to show a large majority in support of the unions' position.

(g) The BSC had decided five months earlier that it could afford no significant improvement in net earnings next year, and that the emphasis must therefore be on productivity schemes. It had taken this time to work out acceptable schemes because external events had then forced a major closure programme onto the BSC. It was understandable that the unions found it difficult to contemplate making real pay conditional on higher productivity on top of the closures which they were now being asked to accept.

(h) The strength of opposition to productivity was demonstrated by such events as the recent strike at Workington, over a local productivity scheme, which had forced British Rail to import steel rails from Luxemburg. There was sufficient demand for British products in some specialist sectors, which the industry had been able to supply. It was important to publicise the true facts in cases such as these.

(i) If It proved to be necessary to improve on the basic pay offer to supplement or replace improved productivity payment schemes, the cost could only be met, within a fixed cash limit, by reducing the level of redundancy payments in further closures. The BSC could not withdraw redundancy offers to which it was already committed for Corby and Shotton.

(j) Whatever were felt to be the shortcomings of management of BSC, it was important to back the Chairman and his Board during the present dispute, and to show no sign of wavering. The Corporation was not good at putting its case across to the public or to the unions. The workers' representatives on the Corporation might be able to play a useful role here.

(k) The Government should encourage the Corporation to publish details of its offer, together with other facts and figures about the financial state of the industry and its poor record of productivity. The figures were available but were not widely known. The Government should, however, take no further overt part in the dispute. No publicity should be given to continuing Ministerial discussions on the subject. Intervention should be left to the ACAS in its traditional conciliation role.

(l) The Government had a final political responsibility, which it could not evade, as custodians of the public money put into the steel industry, and because of the wider repercussions of a prolonged steel strike on industrial activity. It must therefore continue to watch developments in the dispute, and to stand ready to take any necessary action. In particular, it must improve the coordination of Ministerial statements about the dispute. The existing machinery, involving both the Inter-Departmental Contingency Group under Department of Industry Chairmanship, and the Government publicity machine, must be used to the full.

(m) Further problems might develop over secondary sympathetic industrial action. For example, the Railway unions were discussing with the British Railways Board the possibility of blacking imports of steel and its supplies to and from private sector steel companies. Such action was probably legal at present, in the light of the recent House of Lords judgement in the McShane case. Even where it was in breach of contract of employment, as in the case of railwaymen, management were unlikely to take the risk of spreading the dispute further by taking disciplinary action. It might be necessary to consider accelerated legislation on this subject.

(n) There might also be problems over bottlenecks in particular essential supplies, such as tin plate for the canning industry, which Department of Industry, in consultation with other interested Departments, should continue to review.

THE PRIME MINISTER, summing up, said that the Meeting would resume its discussion of the steel situation the following afternoon, in the light of a meeting of the British Steel Corporation Board the next morning.