



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

ECONOMIC EFFECTS OF INDUSTRIAL ACTION

The Civil Contingencies Unit has been doing valuable work in connection with threats of industrial action which, if they materialised, would damage the health and safety of the community. Water is the latest example. The CCU has also been considering the question of whether we should at least prepare for the possible need to extend the legal definition of an "emergency" under the Emergency Powers Act of 1920; I understand that, subject to the availability of parliamentary draftsmen, some illustrative work will be put in hand.

2. I am, however, concerned that, while the Civil Contingencies Unit does valuable work on the emergency measures needed to maintain supplies and services essential to the life of the nation in the event of a major industrial dispute, its remit does not extend to more general measures to maintain economic activity which, while vital to the prosperity of the nation, may not be an immediate matter of health or survival. During the steel strike, special steps were taken to monitor the economic effects as they arose; estimates were also made of the likely effects on production and national income in the longer run. In the case of the docks, similar arrangements were contemplated, but had not been fully activated before the threat receded. I wonder whether one should not go further and have some governmental machinery permanently available to assess the economic significance of particular industrial threats and also, if possible, to identify the pressure points to which any contingency action might be directed.

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3. One way of dealing with this might be to give the Civil Contingencies Unit a wider remit; but, since the work might be rather difficult, involving different skills, it could be right to think of a separate group, though it might still be centred on the Cabinet Office. This is something you might wish to consider.

A handwritten signature in black ink, consisting of a stylized, cursive 'G' followed by a horizontal line and a small flourish.

(G.H.)

25 February 1981

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Govt Mach JS

cc JV
JH

10 DOWNING STREET

From the Private Secretary

BF 5.3.81

MR. WRIGHT

I should be grateful for Cabinet Office advice on the enclosed minute from the Chancellor on the work of the Civil Contingencies Unit.

T. P. LANKESTER

25 February 1981

Ref. A04339

MR LANKESTER

*Top Copy in
Gen Pd: March 81
Gen. Effects of Industrial Action*

Economic Effects of Industrial Action

You asked for advice on the Chancellor of the Exchequer's minute of 25 February to the Prime Minister in which he suggests that an official group should be established, centred on the Cabinet Office, to assess the economic significance of particular industrial threats which (because they do not create immediate threats to health and survival) do not come within the remit of the Civil Contingencies Unit (CCU) and, if possible, to identify the pressure points to which any contingency action might be directed. I understand that, though this minute is signed by the Chancellor, its principal begetter is the Financial Secretary.

2. The Chancellor suggests that this would not be a job for the CCU. I understand that the Home Secretary, while not expressing an opinion on the general proposition, is quite clear that this additional work would not be suitable for the CCU. I agree with this. The CCU is concerned with "essentials of life" situations, and is primarily an organisation for planning and coordinating responses "on the ground".

3. The starting point for the proposal is that there are particular industrial disputes (steel, the docks and possibly road haulage being the examples the Financial Secretary has in mind) which can cause severe economic damage but which fall outside CCU's "essentials of life" remit; the new group would identify such disputes in advance and pre-plan remedial action which might overcome or mitigate the economic penalties.

4. We have always taken the view that industrial disputes that did not engage the responsibility of CCU were best handled outside the central machinery. Thus, for the firemen's strike, the Home Office took the lead in planning and coordinating remedial action, setting up an operations room in continuous touch with the fire authorities and the Ministry of Defence, and consulted other departments as needed. Similarly in the steel strike the Department of Industry took the lead: it similarly set up an ad hoc emergency

operation, collecting information about the availability and movement of supplies and the state and survival capacity of the steel-using industries. I still think that this is right, and that as a general rule such situations are best managed by the department with primary responsibility for the industry concerned; I doubt whether there is a place for new central machinery for the sort of task the Chancellor's minute has in mind.

5. It is not very difficult at any given time to identify potentially troublesome disputes in advance, and we do not need new machinery for that. If it is a matter of planning remedial action, it seems to me that that is better done ad hoc, with the department primarily concerned clearly responsible in the lead. To the extent that advance planning can be undertaken ahead of the dispute breaking out, it should be; but industries in which disputes occur cover such a wide range, and the circumstances of disputes can vary and change so much, that I suspect that preparation is likely to be most effective if it is closely related to the circumstances of specific cases, and that contingency planning which is too hypothetical and advanced is not likely to help very much when the time comes. The risk is of creating a new piece of bureaucratic machinery which creates work out of proportion to the likely benefits.

6. What would perhaps be helpful would be some means of ensuring that, once the possibility of a dispute was foreseen, the department concerned would take action in good time to analyse its economic significance and to consider what (if any) action the Government (or the industry) could or should take to counteract its effects. This involves:

- (a) seeing the dispute coming;
- (b) identifying the department with the leading responsibility;
- (c) making sure that the Minister in charge of the department initiates analysis and action of the right kind in good time.

We do not need another central group to do that. The regular review of pay claims should look after (a). If the Prime Minister felt that there was any danger of Ministers failing to recognise their responsibility and to take appropriate action, that could be remedied either:

- (i) by having industrial affairs regularly on the agenda of Cabinet

or the Ministerial Committee on Economic Strategy, to give Ministers a chance to see what was coming and make sure that whatever could be done was done; or

- (ii) by the Prime Minister sending round a minute to her colleagues reminding them of their responsibility and of the need to take action in good time.

7. When the Prime Minister has had a chance to think about this, perhaps I could discuss it with her (perhaps at our next "business" meeting) and take instructions on the preparation of a draft reply to the Chancellor's minute - unless of course she is content with the general line of his minute, in which case I will prepare a reply accordingly.

ROBERT ARMSTRONG

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2 March 1981