Business and the Limited Reconstruction of Industrial Relations in the UK in the 1970s

Abstract

Industrial relations were reconstructed in the UK in the 1970s, but only in a limited way. This article examines how business preserved ultimate managerial prerogative in the organisation of the firm and the workplace by constraining the process of reconstruction. The analysis contributes to understanding of business in the 1970s and varieties of capitalism literature on comparative political economy by suggesting that changes in industrial relations were accepted by business only where congruent with corporate strategy. Evidence comes from industrial relations surveys and the Bullock Inquiry on board-level worker participation.

Key words

Industrial relations; business; varieties of capitalism; industrial democracy; employee involvement; Labour governments

Industrial relations were reconstructed in the UK in the 1970s, but only in a limited way. This article examines the manner in which business preserved ultimate managerial prerogative in the organisation of the firm and the workplace by constraining the process of reconstruction. Analysis centres on the Bullock Inquiry, appointed in 1975 to examine board-level worker participation in private sector firms with 2,000 or more employees. The Inquiry, chaired by Alan Bullock, historian and Master of St. Catherine's College, Oxford,[1] concluded in January 1977, the majority of its members favouring worker directors, selected through trade unions, on equal basis with management and shareholder representatives. But such provision was opposed by a minority of the committee's members, all business representatives, and vehemently resisted by other commercial and industrial leaders in the UK, including

those representing US interests. Business threats of industrial chaos and investment strikes intimidated the Labour government, which published a White Paper in May 1978, proposing a diluted form of participation, but no legislation materialised.

The case study has become an important method of illuminating general features of business history. This close reading of a specific episode highlights especially how business responds to changes in the economic and political environment, and how in specific historical circumstances business can exert certain constraints on such changes. In this connection the 1970s were highly important, associated in economic and political terms with a series of changes broadly relating to the transition from the stable world of post-1950 growth and consensus to the more fluid and contested environment of the 1980s.[2] The centrality of industrial relations to this transition has been partly reflected in the literature,[3] although this tends to de-emphasise the role of business, focusing mainly on strikes,[4] the multi-faceted character of industrial protests,[5] and the relationship between the 1974-9 Labour governments and trade unions.[6] The literature cumulatively emphasises the importance of historical contingency, and the structural context of industrial relations, including macro-economic policy and social relations.[7]

The analysis here builds on this literature, exploring the particular role of business attitudes and activism. With this focus the article contributes also to the varieties of capitalism literature, which offers valuable insights into comparative political economy, but is open to the criticism that it underestimates historical insights and, in privileging path-dependency and inter-locking institutions, struggles to accommodate or explain change,[8] beyond examining how firms and their coordinating institutional matrices respond to exogenous economic shocks.[9] The discussion here involves some examination of industrial relations in the Federal Republic of Germany, or *Bundesrepublik Deutschland* (BRD). The Bullock committee attempted to learn from the German co-determination model, an important element of the BRD's position in varieties of capitalism typologies as a 'coordinated market

economy', distinct, with its regulated labour and capital markets, and longer-running financial considerations, from the 'liberal market economy' typology within which the UK is usually situated, exhibiting a mix of, *inter alia,* shareholder sovereignty, short-run financial considerations, and unregulated labour markets.[10] Bullock represents an important example of the difficulty of policy transfer, for German board-level employee involvement was buttressed by other institutional arrangements – notably works' councils – that were not being considered in the UK. It was the matrix of 'complementary' coordinating institutions that arguably contributed to Germany's 'comparative institutional advantage' in the post-1950 period of economic growth, suiting its predominant business tendency to secure incremental improvements in high value added manufacturing goods.[11] Attempts to emulate isolated features of the German model in the UK as a lever to enhanced economic performance, such as worker directors, were therefore ambitious. This point is made by Chris Howell,[12] whose analysis of the reconstruction of industrial relations in the UK in the 1960s and 1970s, focusing on the shift from industry-level to firm-level bargaining, is examined here. Howell sensibly emphasises the potential threat posed by this shift to managerial prerogative, but business resistance to elements of the process of reconstruction was perhaps stronger than his analysis allows, and tied to social relationships and values that institutional accounts tend to disregard, possibly at the expense of historical understanding.[13] Business behaviour in the 1970s was certainly channelled through the particular institutional structures of the UK, but it was also shaped by an embedded social history of workplace antagonism and class conflict. This adversarial tradition in British industrial relations privileged the importance of the relative market strength of business and unions. Wilson and Thomson's emphasis on how for much of the twentieth century the generality of UK employers externalised their labour responsibilities to the market is apposite here.[14] Arguably this was the fundamental feature that structured industrial relations in the UK across the twentieth century. In this sense institutions, even in the broad varieties of capitalism meaning,

of rules followed by economic actors,[15] were perhaps of secondary importance, tending to be shaped to meet economic forces and the balance of market power, rather than structuring developments. So the discussion here suggests that varieties of capitalism approaches, with their emphasis on institutions, only partly account for the UK's distinctive economic and business life.

The article continues by examining the reconstruction of industrial relations in the UK in the 1970s. This indicates that changes broadly operated in what Alan Fox called 'market relations', the terms under which labour was hired. Historically UK employers accommodated the involvement of employees and their representatives in these aspects: wages, for instance, or hours of work, shift patterns and rest breaks. Employers generally opposed involving employees in what Fox called 'managerial relations', or how labour was utilised,[16] and changes in the 1970s functioned only partly in this sphere. The emphasis on the limits of change is developed in the article's second and third sections, on the Bullock Inquiry and business activism in its aftermath. The analysis confirms that industrial relations were subject to potential reconstruction in the 1970s. But the outcome, shaped by the robust business critique of board-level industrial democracy, and modest state interest in over-riding this opposition, illuminates the limited overall impact in industrial relations of institutional reconstruction. Evidence is drawn from industrial relations surveys, the working files of the Bullock Inquiry, and UK central government, Confederation of British Industry (CBI), other business and trade union materials on its establishment, operation and outcome.

Reconstructing industrial relations in the 1970s

The key shift in industrial relations in the 1970s was from industry-level to firm-level collective bargaining. The Royal Commission on Employers' Organisations and

Trade Unions, chaired by Lord Donovan, in 1968 emphasised that industrial relations in the UK were destabilised, and inflationary wage pressures encouraged, by the existence of 'parallel systems' of joint negotiations, with separate industry-level and local shop floor agreements. The Commission recommended greater formal decentralisation of joint regulation,[17] and significant progress in this direction subsequently followed. In 1977 scholars at the University of Warwick conducted a survey of practices in 970 manufacturing establishments with fifty or more employees across standard industrial classification categories. In 52.9 per cent of these, covering 67.6 per cent of employees, managers identified single employer bargaining as the predominant source of manual wage outcomes.[18] Firm-level bargaining was encouraged by broad economic factors, with industrial concentration, greater competitive pressures and higher capital intensity providing larger firms especially with incentives to seek greater control over wage negotiations, particularly where productivity gains could be secured. In the varieties of capitalism sense firm-level bargaining was adopted because it supported the corporate strategy of large companies in numerous sectors in the changing and uncertain market conditions of the 1970s, providing them with greater and more responsive control over wages and production initiatives.[19] The Labour government elected in 1974 also had an impact. Its conduct of pay policy, with single-firm, productivity-related rises better accommodated than cross-industry, flat-rate deals, and its legislation on employees' collective workplace rights, which promoted the closed shop, further stimulated decentralised bargaining.[20]

Extended firm-level bargaining marked an important departure from the common practice, established in the late nineteenth century, of externalising collective regulation outwith firms. As employers were originally attracted to industry-level bargaining precisely because it kept joint regulation out of the workplace, leaving them free to organise the workplace, and with the scope of collective bargaining also widening in the 1970s to encompass non-wage matters, Howell sees

the process of reconstruction as threatening managerial prerogative.[21] The extent and implications of the qualitative element of this shift, the widening of joint regulation's remit into what Fox termed 'managerial relations', the manner in which labour is deployed or the workplace organised, are worth elaboration. Managerial prerogative was in fact ultimately preserved in this area, highlighting the limited reconstruction of industrial relations in the 1970s. A valuable concept here is the 'intensity' of employee involvement through joint negotiation: the strategic importance of the decision multiplied by the influence of participation in the decision-making. This can be read alongside Fox's distinction between market and managerial relations to understand the qualitative difference between higher order strategic matters in managerial relations, such as investment, and lower order tactical matters in market relations, such as shift patterns.[22] The main UK workplace instrument for involving employees in non-wage or organisational matters was the Joint Consultative Committee (JCC). Evidence from the major *Workplace Industrial Relations* surveys, conducted across manufacturing and services in the public and private sectors, indicated that employers in the 1970s had used JCCs carefully to minimise the intensity of employee involvement. In the context of rising unemployment, and the shift in the balance of market strength from labour to capital in the early 1980s, employers had then exhibited a willingness to downgrade the intensity of employee involvement.[23] In similar terms the 1977 Warwick survey found that 42 per cent of all establishments had a JCC, 61 per cent of which had only been established since 1972. The Warwick authors suggested that many had been established hurriedly, as a superficial response to the industrial democracy agenda and the Bullock Inquiry.[24]

The industrial democracy agenda was advanced by the same related range of structural economic factors that shaped the move to firm-level bargaining. Industrial concentration, economic competition, employment insecurity and 'remote' decision making contributed to a marked shift in industrial politics, with work-ins, worker co-operatives and 'Alternative Corporative Plans'.[25] A strong shop floor and trade union

rationale emerged for enhanced industrial democracy, seen as enabling workers and their representatives to influence issues at company level beyond collective bargaining's remit.[26] This rationale eroded union resistance to board-level involvement. In a Department of Employment-commissioned survey of industrial democracy practices and attitudes, conducted in 296 private sector companies across standard industrial classification categories in 1976, 70 per cent of senior employee representatives favoured worker directors. Even among members of the skilled engineering union, whose national leaders opposed worker directors,[27] there was a 33-20 majority in favour.[28] A minority nevertheless suspected the 'integrative' tendencies of participation, which could legitimise unpopular managerial decisions like plant closures or redundancies.[29] The Donovan Commission suggested in similar terms that worker directors could weaken trade unionism's workplace standing.[30] A four-year experiment at the nationalised British Steel Corporation partly vindicated this concern, with some worker directors encountering shop floor hostility. But this reflected the nature of the experiment, with worker directors relinquishing union activity, seen as a conflict of interest with board membership. A permanent scheme reversed this position from 1972. Worker directors resumed union roles, with no subsequent reported conflict of interests: boardroom relations were constructive, and worker directors repaired relations with the shop floor.[31]

Interest in board-level involvement, again in common with the trend to firm-level bargaining, was also stimulated by the Labour government. In opposition Labour had agreed with the Trades Union Congress (TUC) a 'Social Contract', encompassing a social wage, with subsidised food, fuel and housing prices narrowing the scope for inflationary pay claims, and legislation for enhanced collective workers' rights, including industrial democracy measures. The purpose was to prevent the type of disputes that followed the 1964-70 Labour governments' conduct of incomes policy and attempted industrial relations reform.[32] Labour's industrial democracy advocates mobilised economic as well as social justice or

redistributive arguments. James Callaghan, Prime Minister from 1976 to 1979, told Alan Bullock that it held a 'central place' in economic strategy.[33] The Prime Minister's view was shaped by developments in the BRD, with the post-1945 *Wirtschaftswunder* apparently conditioned by *Mitbestimmung,* or co-determination, between employers and unions. Callaghan believed that board-level industrial democracy would encourage the vital ends from his perspective of industrial peace and radical productivity improvements in the UK.[34]

Two important features of the German experience made policy transfer difficult, however. First, the wider institutional framework that supported the BRD's participation system, encompassing strong employers' associations and industrial trade unions, stable collective bargaining and solid state coordination, was not present in the UK.[35] This was emphasised by the CBI in its opposition to board-level employee involvement.[36] Valuable perspectives can here be drawn from the varieties of capitalism literature, where the integrated or 'complementary' institutional nature of the BRD's coordinated market economy is emphasised, delivering its comparative institutional advantage in the nationally-predominant industries – car manufacturing, machinery, chemicals – where added value was procured through incremental product improvement rather than radical innovation or price control. This encompassed and indeed valued substantial employee involvement in work and product design. Such approach was less suitable, perhaps, in the UK, with its greater miscellany of industries and services and business priorities, including a greater emphasis on cost control than in the BRD.[37]

Second, the German system was not driven by consensus, with *Mitbestimmung* strongly contested by employers in some industrial sectors. The BRD's participation framework, partly derived from the 1919-33 Weimar Republic,[38] involved from 1951 joint union representation on supervisory boards in the *Montanindustrie* – coal, iron and steel – and from 1952 a one-third employee share of supervisory boards in firms in all other industries with 500 or more employees.[39]

Board-level representation was supported by plant-level works' councils, mandatory in firms with five or more employees, offering workers a mixture of information, consultation and co-determination rights on various managerial questions.[40] Common membership of works' councils and supervisory boards incrementally consolidated the influence of unions in German industrial life, although an official commission of inquiry – the 1970 *Mitbestimmungskommission* – judged that this had not been detrimental to business. With trade unionism's interest in stability and employment security, co-determination had supported profitability and diminished confrontation.[41] Business nevertheless opposed proposals in 1976 to extend co-determination from the *Montanindustrie* to other industrial sectors. The main employers' organisation, the *Bundesvereiningung der Deutchen Arbeitsgeberverbände* (BDA), took unsuccessful legal action against the key Federal legislation, the *Mitbestimmungsgesetz,* and advised members on ways of limiting their exposure to the law, chiefly through restructuring to take firm size below the threshold of 2,000 employees, or forming strategic sub-committees with minority labour representation below supervisory board-level.[42] The eventual settlement fell short of the union goal of full parity, with chairmen of supervisory boards, typically employers, holding casting votes. The BDA's defence of managerial prerogative was further evidenced in its attitude to *Montanindustrie* firms, barred from membership because of board-level co-determination.[43] So German employers, it should be emphasised, accepted joint industrial regulation grudgingly, and only to the extent that it was compatible with their strategic priorities.[44] Questions about the different and perhaps more varied strategic priorities of UK business, and whether these could accommodate board-level employee participation, were not generally asked by British industrial democrats.

The scope for board-level involvement, as well as higher-intensity workplace involvement initiatives, was narrowed, it should be emphasised, by the social values as well as strategic priorities of UK business leaders. These values encompassed a

particular ideology of managerial prerogative, illuminated by Fox's observation that perceptions of industrial relations were shaped by the frame of reference adopted. Most employers and managers deployed a unitary frame of reference, seeing employees and employers bound by common interests in firms.[45] John Methven, CBI Director General from 1976, strongly opposed board-level employee involvement in the Bullock hearings, saying that worker directors would ignore the company's broad needs and represent sectional shop floor interests alone. Yet he also insisted – in unitary terms – that it was 'wrong to emphasise the contrast of shop floor and management interest: there was no such sharp dichotomy'.[46] The same contradiction emerged in the Department of Employment-commissioned survey, where 86 per cent of managing directors and 70 per cent of establishment managers agreed that the interests of management and workers were 'the same', and the vast majority believed industrial relations in their firm were either 'very good' or 'fairly good'. Yet 68 per cent of these directors and 64 per cent of establishment managers were opposed to board-level employee involvement. So the same business cohort said that workers and employers had the same interests, and management-worker relations were harmonious, while claiming that such common interests and positive relations could only be preserved where employers took strategic board-level decisions unilaterally. This unambiguous defence of managerial prerogative, especially regarding capital investment and production changes,[47] drew not only on the ideology of managerial prerogative, but also on the 'shareholder' model of the firm. This was another distinct feature of business life in the UK, evident in the varieties of capitalism liberal market economy typology, whereby interests of shareholders assume precedence over 'stakeholders',[48] including employees as well as suppliers and customers.[49] Proposals for board-level employee involvement entailed a major challenge to this view of the firm, to accommodate employee interests alongside shareholder interests, as well as potentially altering Fox's managerial relations, to involve workers more intensively in strategic management processes.

The Bullock Inquiry

Howell links the firm-level reconstruction of industrial relations to varieties of capitalism literature, emphasising the emergence of coordinated market economy trends in the UK in the 1970s.[50] The UK's oscillation between varieties of capitalism typologies, with the coordinated market economy elements of the 1960s and 1970s rolled back by Thatcherism and New Labour in the 1980s and 1990s, figures elsewhere in the literature.[51] Howell's discussion privileges the 1974-9 Labour governments' coordinating role, in industrial relations and economic management more generally. It also emphasises, albeit briefly, the special importance of the Bullock Inquiry and the question of board-level employee involvement. Worker directors, he writes, would have been the 'logical end point' of the reconstruction of industrial relations being undertaken in the 1970s.[52] Hence business resistance to Bullock illustrates the limits of the reconstruction process, and to some extent the constrained manner in which coordinated market economy trends were in fact emerging in the UK. Employers encouraged or tolerated only those changes to industrial relations that were congruent with corporate strategy. This excluded the possibility of worker directors or high intensity workplace employee involvement. On industrial democracy, it should be emphasised, and inhibiting the process of institutional reconstruction, the Labour government was tentative and divided. One strand of opinion, adopted in solidarity with the TUC,[53] was for legislation in line with a Private Members' Industrial Democracy Bill introduced in 1975 by Giles Radice, Labour MP for Chester-le-Street. Drafted by David Lea, Secretary of the TUC's Economic Department, and Bill Wedderburn, Law Professor at the London School of Economics, this encapsulated the TUC's aim of 50 per cent worker representation on large company boards.[54] A second strand, developed from Labour's centre-right,

opposed legislation and reprised arguments bolstering anti-union business opposition to industrial democracy.[55] These stemmed from what might be termed 'proto-social democratic' concerns about trade unionism's influence in the Labour Party, particularly as larger unions, notably the Transport and General Workers' Union (TGWU), shifted leftwards.[56]

TUC officials hoped the government would move to legislation on worker directors without significant delay, so were disappointed when the Bullock Inquiry was established in 1975, anticipating that this reduced prospects for joint board-level representation.[57] The CBI was also unhappy, seeing Bullock's terms of reference, which emphasised the 'essential role' of trade unionism in extending industrial democracy, as conceding too much to the TUC. The Secretary of State for Trade, Peter Shore, normally on the centre-left, surprised Cabinet by agreeing with the CBI that non-union employees must also be incorporated in involvement initiatives.[58] Shore's caution was entirely explicable, however, consistent with his department's anxiety about reconciling the government's Social Contract commitments to the unions, including provision for worker directors, with an industrial strategy predicated on private sector business activity and investor confidence.[59]

Government divisions weakened the prospect of worker directors, as did the broad labour versus capital dispute that characterised the Bullock Inquiry and its aftermath. Bullock's committee included two other academics, Bill Wedderburn, co-author of Radice's Bill, and George Bain, Director of the Industrial Relations Unit at Warwick, who generally agreed with the committee's three union representatives: Lea, Jack Jones, TGWU General Secretary, and Clive Jenkins, General Secretary of the Association of Scientific, Technical and Managerial Staffs. These six were opposed on the core issue of board-level industrial democracy by four business representatives: Sir Jack Callard, Chairman of ICI and then British Home Stores in 1976, N.P. Biggs, Chairman of Williams and Glyn's Bank and formerly of Esso, Barrie Heath, Chairman of Guest, Keen and Nettlefolds, a large manufacturing firm, and

John Methven, Director of Fair Trading, who left the Inquiry in July 1976 when he was appointed CBI Director General.

Divisions were apparent from the first meeting in December 1975, when Callard baldly stated that any 'real extension of industrial democracy could not be achieved by changing the law'. Business representatives insisted in meetings held in January 1976 that board-level involvement, especially where parity of union representatives was established, would be incompatible with collective bargaining, for boards often defined a company's bargaining position. Jones responded that bargaining was for management, not the board, and the board-level involvement of trade unionists in bargaining would reduce conflict.[60] While incubating these divisions the committee gathered written evidence from employers, unions and others, and discussed participation with government officials, business and union representatives in Sweden and the BRD, where Callaghan arranged a meeting with the Chancellor, Helmut Schmidt.[61]

By this point, the middle of 1976, it was clear that Bullock's business participants would oppose board-level co-determination. While writing about the difficulties of working with the business 'dissenters',[62] Bullock told Callaghan that the union figures, Jones especially, were highly constructive. Perhaps, as the biographer of Ernest Bevin, one of Jones's predecessors at the TGWU,[63] Bullock was partial. But the contrast he struck between engaged trade unionists and sceptical business leaders is important, emphasised by Callard's intervention shortly afterwards. Bullock was seeking support for a compromise where boards would be evenly composed of three representative groups: shareholders, employees and 'others' to be defined. Callard criticised the focus on 'power' within the board: what mattered was the 'efficiency' of its operation. He then contradicted this by stating opposition to anything 'that deprived the shareholder of his ultimate voting power in the affairs of the company'.[64] Callaghan's officials consequently noted that government support for

parity board-level representation would ‘prejudice’ the ‘cooperation of management’ with the ‘industrial strategy’, and jeopardise the ‘climate for investment’.[65]

These worries were not exaggerated. When the Bullock report appeared in January 1977 business leaders threatened the government with non-compliance over industrial strategy, primarily through an investment strike. The report contained two separate conclusions: a ‘majority’, signed by academics and trade unionists, and a ‘minority’, signed by businessmen. The majority favoured a 2X+Y formula for board membership, X an equal number of unionised employees and shareholders, and Y a minor third element, appointed by employee and shareholder representatives, to incorporate external expertise and break ‘deadlock’ where boards split on employee and shareholders lines. The majority emphasised that parity would bring ‘new legitimacy’ to corporate governance.[66] To counter the charge that these proposals amounted to statutory consolidation of union ‘power’, their fundamentally voluntary character was emphasised. The system would only operate in firms with 2,000 or more employees where this emerged as the majority will of full-time employees after a secret ballot. There were 738 such enterprises in the UK, 100 of which were ‘controlled from overseas’.[67] Limiting participation to unionised employees was supported by the observation that union density in these firms was around 70 per cent, above the aggregate economic average of 45-47 per cent.[68]

The business minority articulated a vigorous case for managerial prerogative, claimed worker directors would curtail the quality and speed of decision-making, and recommended a two-board structure with minority employee involvement – encompassing non-union and union employees – on supervisory boards to advise executive boards not including employee representatives.[69] This was roughly the system proposed by advocates of European Economic Community-wide provision, who saw parity of participation rules as upholding the purportedly desirable end of equitable cross-frontier market and trading conditions.[70] British business leaders initially favoured these common conditions until they understood the element of

board-level employee involvement.[71] Now they would resist even the moderated proposals of the business minority on Bullock, and oppose absolutely the academic and union majority's co-determination model.

Business resistance to board-level participation

Business mounted two parallel tracks of opposition to board-level participation: the CBI mobilised medium-sized enterprises, predominant among the 600-plus UK-controlled firms directly affected by the Bullock proposals, while a group of multinational chairmen, meeting regularly at Imperial Chemical Industries (ICI) headquarters in London, exerted additional pressure on the government. These parallel tracks were coordinated, the CBI's Director General and officials in regular contact with the multinational chairmen and their representatives. A common approach was adopted, with two linked elements. First, there was total rejection of the Bullock majority: statutory board-level involvement, parity on boards of employee and shareholder representatives, and union selection of employee representatives. 'Nothing is more important to the CBI than this', Methven wrote to members in March 1977. The Bullock majority proposals would breach shareholder sovereignty, and 'fundamentally change the free enterprise system as we know it'.[72] Second, to weaken the case for board-level involvement, the CBI and the multinational group strongly emphasised the established existence of workplace participation measures. Here it is worth recalling the 1977 Warwick study's suggestion that in reality employers attached low priority to these.[73] The CBI and the multinational chairmen nevertheless asserted that employers were committed in this area, arguing that government should allow the 'organic growth' of bottom-up participation instead of insisting on top-down board-level involvement.[74]

This argument had been presented to Bullock by the Institute of Personnel Management.[75] A post-Bullock CBI survey of members established that most of the 457 respondents had some participation arrangement in place, although officials described 'their quality' as 'difficult to assess'.[76] Multinational chairmen were more upbeat, a conscious strategy developed at a meeting hosted by Sir Rowland Wright, Callard's successor as ICI Chairman, ahead of talks scheduled with the Prime Minister in February 1977. Wright's meeting – attended by Sir Arthur Knight of Courtaulds, David Orr of Unilever, Peter Baxendell of Shell UK, Hector Laing of United Biscuits and the Food and Drink Industries Council, and Methven – agreed that Callaghan should be told in emphatic terms about Bullock's threat to company level initiatives.[77] Wright, Orr and Knight, representing the multinationals, did just that, and set out details of ICI and Unilever schemes to the Prime Minister. At ICI there were works-level consultative committees, under divisional committees and a company committee, chaired by Wright. At Unilever mechanisms were most advanced in Bird's Eye and Lever Bros, where company councils could 'discuss' various questions, including reorganisation, future investment, and plant and line closures.[78] These brought employees into contact with significant strategic issues, with potential for further growth, as Robert Haslam of ICI put it, outlining his firm's future plans for a Central Business and Investment Committee in a separate meeting with the multinational chairmen.[79] Yet this involvement would not move beyond consultation, and so the multinationals were defending lower intensity participation than the Bullock majority's model. This was true also of the Shell group internationally, with plant-level initiatives accompanied by national board-level participation within Shell UK or Shell Royal Dutch. Highest order strategic decisions were therefore taken at international level, *without* employees.[80] In this connection CBI officials recorded that Unilever as well as Shell UK representatives had advised Edmund Dell, Shore's successor as Trade Secretary, that statutory board-level

involvement would lead to ‘decisions on international matters’ being taken outside the UK, beyond the reach of joint boards.[81]

Callaghan had in January 1977 proposed proceeding with parity board representation of unionised employees, but business pressure moved the Cabinet behind Dell’s argument for greater caution. Consultations would proceed over at least a 15-month period, the government to articulate interests in all forms of extended involvement.[82] The commitment to open-minded consultation was emphasised in Parliament by Dell,[83] and in talks with business leaders Callaghan described the government’s role as ‘honest broker’ between TUC and CBI.[84] The multinational group threatened Callaghan with economic collapse in the UK, as extant shop floor conflicts entered boardrooms. Wright claimed that ‘his managers’ were ‘near revolt’ over unionised worker directors.[85] This reads in exaggerated, rhetorical terms, perhaps shaped by the experience of ICI’s own employee initiatives in the 1960s and 1970s, which were resisted to an extent by middle management.[86] Employers, however, as distinct from managerial employees, were undeniably angry. R. D. Poore, Chairman of Manganeze Bronze Holdings Ltd, was one of many urging Methven to resist the ‘absurdities and left-wing motivation’ of the Bullock majority.[87] Two-thirds of the post-Bullock CBI survey responses opposed any board-level involvement, while the remaining third only supported a supervisory board structure, where worker directors were drawn from non-union as well as union members.[88] These widespread UK business criticisms of worker directors were reinforced by international business lobbying. In the context of the UK’s reliance on inward investment, the intervention of US firms and commercial interests was perhaps especially important. The President of the American Chamber of Commerce in the UK told Callaghan that co-determination would deprive US investors and shareholders of their ‘decisive’ influence in deciding whether profits were returned in dividends or re-invested. Many would invest elsewhere as a result.[89] The same

perspective was put to Callaghan by the head of Exxon Corporation, during talks about the world oil situation.[90]

The multinationals cultivated firm-level contacts with government ministers, especially those judged sympathetic to the business case against the Bullock majority, notably Dell and Shirley Williams, Secretary of State for Education.[91] Other relationships were tapped. Hector Laing spent two hours with his 'friend' Margaret Thatcher, leader of the Conservative Party, and Sir Marcus Sieff, Marks and Spencer's Chairman, and broadened the campaign by securing Tory opposition to the Bullock minority as well as majority proposals. Laing presented United Biscuits proposals for developing participation among the firm's 23,000 UK employees to Thatcher as evidence of the bottom-up approach – adopted by 'progressive' employers while unions were 'making little effort' – which board-level involvement would stymie.[92] Laing and Sieff also wrote separately to Callaghan, outlining the participation credentials of their respective firms. These were low intensity in approach, like those at Unilever and ICI, encompassing consultation prior to unilateral employer decision-making.[93]

Sophisticated thinking under-lay this emphasis on managerial sovereignty. Early in February Methven was contacted by the Personnel Director of Guest, Keen and Nettlefolds, John Parsons, whose Chairman, Barrie Heath, sat on the Bullock Committee. Parsons summarised the various forces that shaped participation demands – industrial concentration, diminished social deference, under-utilised employee potential – and warned that ignoring these forces would strengthen workplace support for significantly higher intensity involvement. He cited in particular the importance of negating the 'dangerous and politically motivated' influence of the Institute of Workers' Control, an academic unit at the University of Hull with substantial shop floor connections.[94] With this intention Guest, Keen and Nettlefolds was trialling consultative Employee Councils.[95] This was highly revealing, illuminating the ideological intent of involvement, helping employers to consolidate managerial

prerogative by controlling the intensity of worker participation. In this respect it reinforces the Warwick study's scepticism about the motives of employers who agreed to JCCs and other involvement mechanisms, and the CBI's private doubts about the 'quality' of such initiatives in member firms responding to the post-Bullock survey.

Bullock majority supporters were nevertheless divided by this business lobbying. Giles Radice, sponsor of the 1975 Private Members' Bill, proposed a compromise, with sub-board participation agreements to precede the institution of supervisory boards in a two-tier structure.[96] Jack Jones, meeting Ministers in May as part of a TUC Economic Committee delegation, was less willing to bend, however, and especially reluctant to surrender parity representation.[97] Ministers chose the compromise path suggested by Radice. The government's political position had weakened in the spring of 1977, with Parliamentary survival dependent on support from the Liberal Party, which favoured the type of bottom-up workplace involvement, encompassing non-union as well as union employees,[98] that the CBI and the multinational chairmen were claiming would be jeopardised by board-level initiatives. This emboldened the multinational chairmen, seeing the government as now less able to 'implement Bullock'.[99] In the Cabinet's Economic Policy Committee in May Dell outlined a diluted model: sub-board participation for two years, and then one-third employee share of supervisory boards in a two-tier system. This was the business position outlined by the Bullock minority.[100] Dell and Williams insisted that participation on the Bullock majority terms would 'have a disastrous effect' on business confidence and international investment. Williams was detailed to chair a ministerial committee to consider the subject further.[101]

Williams later wrote about industrial democracy's value, but only where applied *below* board level, easing, perhaps, the introduction of new technologies and working practices. Board-level involvement should be voluntary, she emphasised, for individual firms and unions to settle, free of state regulation.[102] The multinational

chairmen knew about Williams's position, and maintained contact with her, successfully shaping the White Paper of May 1978 which replicated Dell's model of sub-board participation leading to a third share of supervisory boards.[103] Bullock was publicly supportive,[104] but Jones called the paper 'puny'.[105] Bullock's remnants were lost in the industrial and political turbulence that followed, culminating in Labour's defeat in the 1979 General Election. This 'Winter of Discontent' has attracted much coverage in historical literature, and is usually explained in terms of the deteriorating relationship between government and unions, arising from the squeeze on public expenditure after the 1976 financial crisis and International Monetary Fund loan, and the counter-inflationary flat-rate wage controls that disproportionately affected manual workers.[106] The evidence presented here suggests that the Bullock episode may also have contributed to the escalation of industrial tension: first, by eroding the solidarity between government and unions; second, and more important, by closing off the further reconstruction of industrial relations, and so consolidating adversarial, market-based bargaining as their fundamental feature.

Conclusion: the limited reconstruction of industrial relations

The Winter of Discontent highlights the limited reconstruction of industrial relations in the UK in the 1970s that this article has examined through a close reading of the Bullock Inquiry on Industrial Democracy. The evidence reviewed here indicates that industrial relations were altered by the marked shift in collective bargaining from industry-level to firm-level negotiations. This was encouraged by the coordinating activities of the Labour government elected in 1974. Reflecting on the varieties of capitalism literature, coordinated market economy institutions were emerging in industrial relations in the UK, accepted and to an extent welcomed by employers so long as they advanced or were consistent with corporate strategy. Hence the

increased prevalence in the UK of firm-based bargaining, which enabled companies to incorporate productivity increases or the introduction of new products, processes and technologies in wage agreements with employees. Business imposed clear limitations on this process of reconstruction, however. Initiatives predominantly operated in what Fox called ‘market relations’, privileging negotiations about the wages and conditions rather than the design and management of work. Where operating in ‘managerial relations’, the terms under which labour was deployed, the initiatives offered limited employee influence over high order strategic decisions: the Warwick study of 1977, the CBI’s post-Bullock survey, also in 1977, and the revealing memo received by the CBI Director General from the Personnel Director of Guest, Keen and Nettlefolds, cumulatively underline the preponderance of low intensity employee involvement mechanisms.

A parallel can be drawn here with developments in the BRD, where employers resisted but came to terms with an extension of co-determination only because this broadly fitted their general competitive strategy of adding value through incremental improvements to extant product ranges. In the UK, with greater atomisation of business goals and priorities, employers could not accept the further reconstruction of industrial relations that the Bullock majority – or even the Bullock minority – proposed, with worker directors. Such initiative was counter to the competitive advantages sought by a predominant range of British business in cost control and flexibility. Hence the emphasis in anti-Bullock business lobbying on the manner in which worker directors would defend the ‘sectional’ interests of employees, and delay as well as diminish the quality of board-room decisions. This was not, however, entirely or perhaps even largely about institutions, varieties of capitalism or sources of competitive advantage. The strategic path of incrementally improving existing product ranges, procured through stable employment relationships and jointly-regulated production methods, could in theory have been pursued just as well in a UK biscuit manufacturing enterprise as a German automobile-assembly firm,

although the emphasis on cost control might have been greater in the former. In explaining the defence of managerial prerogative articulated by business representatives in the Bullock debate greater weight should instead be attached to the peculiarly adversarial nature of social relations in UK workplaces, and the essentially ideological reluctance of many employers to share the management of their enterprise with employees. The 1976 Department of Employment-commissioned survey on industrial democracy attitudes and practices bears recalling here, with its revealing paradox in the attitudes of directors and employers: despite the believed mutuality of interest between workers and employers, and the harmonious character of industrial relations in their firms, they insisted that employers alone should be responsible for strategic decisions. This duly reinforces the merit of Fox's emphasis on the unitary values of many UK employers in the 1960s, which survived into the 1970s and beyond, as Laing's important exchanges with Thatcher in 1977 signalled, marking the path ahead to the consolidation of managerial prerogative and shareholder sovereignty in the 1980s.

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