

Industrial Relations and the Economy 1939-1999

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Introduction

Organised labour entered and left our historical period like a lamb, but for the central decades it dominated the political and economic scene like a lion. Managing trade unions was seen by government at times to be central to the task of managing the economy. Changes in the economy were to transform trade unions and, over the course of the period, the conduct of British industrial relations changed beyond recognition. This chapter is concerned with this change and with its economic implications.

The account begins with a brief discussion of the basic features of industrial relations and with an overview of how they changed. The chronological narrative is then broken into three twenty-year periods. The first takes us through the years of Wartime regulation to the end of the relatively calm 1950s, a period during which Britain was widely perceived to have a settled (and even superior) system of industrial relations based upon collective bargaining. The second period was one in which this system began to break up, and in which governments, forced to abandon a *laissez faire* approach, became embroiled in attempts at reform. The final twenty years witnessed irreversible changes, with collective bargaining undergoing substantial contraction.

The Basic Features of Industrial Relations

It is uncontroversial that the relationship between employer and employee is of profound economic significance. The way labour is managed determines its productivity, its cost, its welfare, and its skills. What *is* controversial is how best labour might be managed, and who should be the beneficiaries. Employment is at heart a most unusual economic transaction, impossible to contain within a normal contractual arrangement because of the difficulties of monitoring and motivating workers, usually over continuous periods of many years. As a result the employment contract is generally contained and protected by complex institutional arrangements intended, with varying degrees of success, to uphold chosen standards of effort, expertise, fairness, flexibility, security, discipline, decency and so on. Because these are inherently controversial, and because the employer is generally in an overwhelmingly strong position with respect to the individual employee, two particular means of employee protection have been developed. These are, first, trade union involvement through collective bargaining and, second, the statutory protection of individual employment rights.

There was substantial change in the proportion of employees in trade union membership in Britain over the period. As Table 1 indicates, it rose during the War and 1940s before

levelling out for three decades, then rising to a peak at the end of the 1970s before falling back sharply to much the same level in 1999 as it had been in 1939. It will also be evident that the number of unions declined steadily over the whole period, as unions merged in response to structural and technological change.

Table 1 – Trade Unions and Trade Union Membership in Great Britain: 1939 – 1999

	Number of trade unions registered	Number of union members (000s)	Union density: membership as per cent of employed
1939	1,019	6,206	31.9
1949	742	9,077	44.7
1959	668	9,257	43.3
1969	561	9,999	44.2
1979	454	12,639	53.4
1989	309	10,158	44.2
1999	237	7,898	32.8

Source: Wrigley (1996) p. 63; Employment Gazette and Labour Market Trends (various)

N.B. these data are from those obtained by the Certification Officer; from 1989 additional data from the Labour Force Survey suggest the CO's membership figures to be approximately 10 per cent overstated.

From an international perspective, as Table 2 suggests, Britain's trade unions were distinctive in that they experienced substantial growth through the 1970s, and a particularly sharp collapse afterwards.

Table 2 - Trade Union Density in Britain, USA, Germany and France, 1940-2000

	Great Britain	USA	Germany	France
1940	33	27	n.a.	25
1950	45	31	41	30
1960	44	31	39	19
1970	48	27	38	21
1980	54	22	41	17
1990	38	16	38	9
2000	30	13	30*	9

Sources: USA from Kochan *et al* (1986); Bureau of Labor Statistics. Great Britain, Germany and France from Waddington and Hoffman (2001); Bain and Price (1980); Visser (1989); EIRO (2001). The GB figures differ from those in Table 1 partly as a result of differences in definition of potential membership.

*German data for West Germany up to and including 1990.

Trade unions fulfil a number of functions for their members ranging from protecting the vested interests of their skills through to defending their individual rights. Their capacity to do the former depends to a substantial extent upon how far the competitiveness of the product market in which the employer operates permits the accumulation of rents, of which the union might be able to extract a share. For this reason most Western European

countries tend to have highly unionised public services. As will become clear, a fundamental influence on industrial relations over the 1939-99 period was the changing competitive context in different industries, imposing increasing constraints on both rents and access to them.

Trade unions attempt to influence the employment contract by engaging with employers in what is generally called collective bargaining. This covers a spectrum of influence. It ranges from, at one end, detailed agreements that regulate not only pay and working time but also all manner of aspects of the conduct of work. At the other end of the spectrum there may be no more than weak opportunities to be consulted and to represent individual members. To different extents and with different timing in different industries, collective bargaining moved over the course of our 60-year period first towards the strong influence end and then far back over to the weak influence end of this spectrum. As will become clear, there are substantial micro-economic implications in the extent to which collective bargaining constrains employer discretion in the management of labour.

The conduct of collective bargaining has strong macro-economic as well as micro-economic implications. One aspect of this is the overall coverage of collective agreements, in terms of what proportion of employees, whether or not they are individual members of trade unions, have their wages and hours of work, at least, regulated by a collective agreement. It will be evident from the rough estimates in Table 3 that for most of the period this was the great majority of employees, but that such coverage grew rapidly during the War and collapsed in the 1990s. The effect of this collapse, concentrated upon the private sector, was augmented by the abolition in 1993 of all but one of the statutory wages councils, which provided legally binding minimum wage rates for a limited number of low-paying industries.

Another feature of collective bargaining that underwent substantial change over the period was whether employers bargained as a group or as individuals. The bargaining strategy that had developed in Britain as elsewhere in Europe since the 19th century was that employers' associations would be formed industry by industry, initially on a regional but later on a national basis, in order to present a united front to organised labour, to prevent individual employers being picked off one by one. It can be seen from the rough estimates provided in Table 3 that from the mid-20th century this strategy broke down. Employers in the private sector increasingly broke ranks to continue to bargain, but on their own, at enterprise or sub-enterprise level. If, indeed, they chose to bargain with trade unions at all. The result was a massive increase in the decentralisation or fragmentation of bargaining, especially in the private sector, a factor of profound macro-economic importance in the decades when the avoidance of wage inflation became a central government objective.

Table 3 - Estimates of the coverage of principal pay fixing arrangements for all employees in Great Britain: 1940-1998

	1940	1950	1960	1970	1980	1984	1990	1998
	%	%	%	%	%	%	%	%
Collective bargaining and wages councils	50	80	80	80	75	73	55	40
<i>of which:</i>								
Industry-level agreements (multi-employer)	40	55	50	50	35	30	25	20
Wages Councils	10	25	25	15	15	13	10	0
Enterprise/factory agreements (single-employer)	0	0	5	15	25	30	20	20
No collective bargaining or statutory support	50	20	20	20	25	27	45	60

Public and private sectors; estimates derived from: Flanders (1954); Beatson (1993); Millward *et al.* (1992); Milner (1995); Millward *et al.* (2000); Brown *et al.* (2000). Public sector review bodies (from 1970) counted as multi-employer collective agreements.

The strength of trade unions depends ultimately upon their capacity to organise effective industrial action. Here again there have been substantial changes over the period. Table 4 provides five-year averages of two basic measures of industrial action: the number of strikes, and the number of working days lost, which incorporates the numbers of workers involved and the duration of strikes. But the economic significance of strikes lies less in their immediate cost than in the threat they pose to the employer. Put simply, an employer's backing down in the face of a strike threat may have far costlier implications for them in the longer term than their taking on the action. Thus, from the employer's point of view the crucial question is the credibility of the strike threat. In the third and fourth columns of the Table we have accordingly calculated measures that are crude indicators of the propensity of union members to strike and to bear the costs of strikes: the number of strikes per million members, and the number of working days lost per thousand members. It will be seen that the average propensity to take strike action was fairly stable until collapsing sharply from the 1980s. For reasons that will be evident when the sub-periods are described separately, the number of working days lost had a

more dramatic climax in the 1970s before again falling in the 1980s to unprecedented low levels in the 1990s.

Table 4 – Industrial Disputes in the UK: 1939-99

Years	Average number of strikes p.a.	Average working days lost through strikes p.a. (000s)	Average number of strikes per 1,000,000 trade union members p.a.	Average working days lost per 1000 trade union members p.a.
1935-39	863	1977	152	349
1940-44	1491	1813	197	239
1945-49	1880	2235	211	251
1950-54	1701	1903	179	200
1955-59	2542	4601	261	473
1960-64	2511	3180	251	318
1965-69	2380	3929	231	382
1970-74	2885	14077	253	1237
1975-79	2310	11663	181	914
1980-84	1350	10486	115	890
1985-89	895	3940	85	376
1990-94	334	823	37	90
1995-99	213	495	27	63

Sources: Wrigley (1996), p.135; Labour Market Trends, June 2001, p. 302.

How far did the British experience reflect broader international patterns? An attempt at comparison is made in Table 5, although definitional differences demand extreme caution. It is apparent that over the whole period, strike propensities generally differed greatly between the UK, USA, Germany and France, with Germany relatively dispute free throughout. Britain's experience of working days lost through strikes rose to be relatively high, although below the USA, before falling faster and further from the early 1980s.

No overview of the basic features of industrial relations would be complete without mention of the law. This has two aspects: collective labour law and individual labour law. The first provides the framework within which trade unions can operate – rights to strike, rights to organise, and rights to employer recognition. These became a major focus of policy debate by the end of the 1950s and led to largely aborted legislation in the 1970s before settling into a series of legal restrictions on trade union power in the 1980s and early 1990s. While leaving most of these restrictions in place, in 1999 New Labour provided unions with new organising rights. The second aspect of the law has been in the provision of employees with a growing range of individual rights on such matters as minimum wages, protection against sex discrimination, and maternity rights. Although normal elsewhere in Europe, such rights were unknown in Britain until the 1960s after

which, at an accelerating pace, they have come to play a major part in improving and protecting the employment contract.

Table 5 - Working Days Lost through Industrial Action per 1000 Employees in UK, USA, Germany and France, 1940 – 2000

	United Kingdom	USA	Germany	France
1940-44	96	296	n.a.	n.a.
1945-49	119	1298	n.a.	1306
1950-54	89	669	61	501
1955-59	207	610	34	130
1960-64	117	305	19	150
1965-69	145	532	5	127*
1970-74	441	551	48	169
1975-79	477	235	43	177
1980-84	244	144	44	75
1985-89	123	80	2	35
1990-94	37	43	18	47
1995-99	21	38	3	105

* excluding 1968

Sources: for 1940-1949: Ross and Hartman, 1960; for 1950-1974: Clegg, 1976; for 1960-1989: Edwards, 1998; Edwards and Hyman, 1994; US Bureau of Statistics Annual Reports; for 1990-1999: Labour Market Trends, April 2001; National Statistical Office 2002. Note that these relate to days lost per employee, whereas Table 4 relates to trade union members.

One final point in this introductory overview concerns neither trade unions nor government, but the employers. Although employers are less obvious in industrial relations because they neither take strike action nor introduce legislation, they are in reality the key actors. It was, for example, their lack of solidarity that led to the break-up of industry-level bargaining, and their inadequate controls that encouraged unprecedented workplace bargaining in the 1960s and 1970s. It may be too trite to say that employers get the trade unions that they deserve, but an understanding of trade union behaviour certainly requires an understanding of the conduct of management. Above all it requires an understanding of the competitive pressures faced by employers in their product markets, and of their skill in responding to these pressures through the more effective management of labour.

The Settled System – 1939-1959

Writing in 1937, in the second edition of the first systematic description of the British system of industrial relations, J. Henry Richardson felt able to say: ‘During the five years since the first edition of this study was written, industrial relations in Great Britain have shown remarkable stability, combined with a high standard of industrial peace. This stability has been maintained in a period of great change in economic conditions; ... The

stability of British industrial relations is the more noteworthy when it is contrasted with the almost revolutionary changes during the last five years in the United States, Germany and France' (Richardson, 1938: vii). Despite the crisis of the General Strike of 1926, it was a view shared by government, with the official 'Industrial Relations Handbook' published in 1944 asserting that 'Collective bargaining between employers and workpeople has for many years been recognised in this country as the method best adapted to the needs of industry, and to the demands of the national character, in the settlement of wages and conditions of employment.' (Davies and Freedland, 1993: 42).

Great weight was placed on the benefits of what was seen as a 'voluntary' system. What this meant was that, since the 1875 Conspiracy and Protection of Property Act, reinforced by the 1906 Trades Disputes Act, employers and trade unions could not sue each other for damages arising from a strike or lock-out 'in contemplation or furtherance of a trade dispute'. This provided in an elliptical way a partial substitute for what in other countries would be specific rights to strike and to organise. The beauty of it for its many British admirers lay in the fact that the courts were effectively excluded from collective bargaining and industrial disputes. If you could not get a court to give you financial compensation for a broken agreement or an unconstitutional strike, there was no point in going to the law. Collective bargaining thus developed in its own way, eased through sticky patches by practical people familiar with the world of work and its underlying power struggles. If by chance a question relating to an individual's contract of employment did come before a court, it was dealt with on the basis of the implied rights of any relevant collective agreements and of reported precedent (Kahn-Freund, 1952).

There were, however, problems inherent in this 'tradition of voluntarism' that were to emerge as major policy issues later in our period. The first of these arose as a by-product of the fact that agreements were unenforceable in court. Because this reduced the incentive to write agreements down, the British system became characterised by a messy mass of half remembered understandings, unwritten 'custom and practice', and odd notes of meetings. The second problem arose because, since the law did not specify which 'agent' was responsible for upholding agreements on each side – whether union district secretary, company personnel director, or whoever – there was further ambiguity as to who was the person on each side who had the procedural right to decide on points of dispute. The third problem arose directly from this. Because the law provided no scaffolding on which responsibilities could be determined, people on each side would choose to deal with the person most likely to be able to cope with the dispute in hand, and that was typically based on an assessment of the current exercise of industrial muscle. As a result over the course of the 20th century, to different extents in different industries, the locus of decision-making swung to and fro between workplace and national bargaining, depending on the level at which market circumstances permitted union strength to be most effectively mobilised. The fourth problem with the 'tradition of voluntarism' proved to be of profound importance for those who were in mid-century its most enthusiastic supporters, the trade unions. Having no legal rights to organise was no problem for them when the economic tide was flowing with trade unionism. But it proved to be a fatal flaw when that tide began to ebb.

The War was of profound importance for organised labour. With it came, by stages, all the draconian emergency measures of a managed labour market. There was the direction of labour to essential work, the dilution of traditional skills, guaranteed minimum wages, and, through Order 1305, the banning of strikes and lock-outs (Wrigley, 1996). It would be reasonable to suppose that this might break the old mould and force the British system of industrial relations into new structures. In fact, it did the reverse, so that, with the coming of peace, the pre-War system was reaffirmed and extended.

Much of the explanation for this lies in the role played by the trade union leadership in the conduct of War. From the early 1930s the Trades Union Congress, under its General Secretary, Walter Citrine, and the towering General Secretary of the Transport and General Workers Union, Ernest Bevin, had campaigned hard against the rise of Nazism and Fascism. When the War came they were ready and able to mobilise the trade union movement. In May 1940 Bevin was made the Minister of Labour and became one of the most powerful members of the War Cabinet (Taylor, 2000). Quite apart from winning acceptance for the emergency measures, Bevin sought to extend collective bargaining. As he put it himself, he hoped that 'by the time that hostilities cease, there will not be a single industry of any kind in the country that has not wage-regulating machinery of some kind or another' (Taylor, 2000: 38). No less than 46 new 'joint industrial councils', as the national bargaining bodies were called, were created during his Ministry, as well as a number of new wages councils for industries where unions were still poorly represented. Even Order 1305 (which, as is evident from Table 4, did not stop strikes, most of which were in coal-mining), became a means of enforcing the terms of national collective agreements and of providing individual members with rights to trade union representation with reluctant employers. The trade union movement thus emerged from the War greatly strengthened, both politically and industrially.

With this fresh authority, the trade union movement was able to argue for a substantial role in the newly nationalised industries. Unions won members and recognition not only in poorly organised industries such as civil aviation and road haulage, but also among hitherto unrepresented white collar and managerial employees in industries such as coal, electricity, and railways among whose manual workers they were already strong. During the later 1940s, trade union leaders, with fewer than a hundred joint industrial councils and a few score more national agreements, presided over a remarkably centralised national bargaining system. The degree of their control over it was successfully tested when, between 1948 and 1950, they and their employer association counterparts were able to deliver a substantial period of wage restraint.

In these circumstances, it was forgivable that, when in 1954 Alan Flanders and Hugh Clegg published the successor to J. Henry Richardson's textbook, they were able to describe a system of collective bargaining and statutory wage boards that appeared to be largely controlled, almost comprehensive, and apparently institutionally stable (Flanders and Clegg, 1954). And yet, within their analysis, one can discern the seeds of the problems that were to tear that system apart. There was the problem of reconciling the authority of the union with that of the elected grass-roots activists, commonly called 'shop stewards', who in practice were increasingly called on to deal with management.

There were the strains placed on the TUC in trying to maintain unity in delivering their part of an incomes policy. And there was the fact that elaborate structures for 'joint consultation' established during and after the War were melting away as trade unionists discovered that they achieved far less through passive consultation than they could through negotiations backed by the threat of industrial action.

Later in the 1950s these problems became more evident. With continuing low levels of unemployment, labour shortages were placing severe strains on local managements. They were especially vulnerable to these pressures in industries where product market competition was non-existent or weak, such as the nationalised industries, public services, and the defence industries. In many of these it became commonplace to try to retain labour and win its compliance by adding surreptitiously to pay, over and above what was permissible through their industry's national agreement. Thus it was that, following the reduction of the standard working week from 48 to 44 hours in the late 1940s, and from 44 hours to 42 in the late 1950s, the actual working hours of manual men increased, with overtime working effectively becoming institutionalised, padding out pay packets whether or not it was actually required for production (Flanders, 1964). Thus it was also that piecework payment systems were often allowed to degrade in order to deliver the pay rises that would retain skilled labour. A phenomenon termed 'wage drift' developed, whereby earnings consistently rose at a faster rate than nationally agreed wage rates (Phelps Brown, 1962).

The growing willingness of employers to bargain at the workplace, outside the scope of industry-level agreements, created substantial problems for the trade unions. With the Labour Party out of power, the trade union movement had lost much of its influence nationally. It had also lost its more visionary leaders. Union rule books did not recognise the shop steward's role. If it was not bad enough that local managers were choosing to negotiate with shop stewards and their equivalents, activists at the grass-roots were being encouraged to exceed their limited formal authority by an energetic industrial wing of the Communist Party. Although the great majority of strikes in the 1950s were in the coal-mining industry, they accounted for a small minority of working days lost. More important was an increasing tendency for strike action to become a routine in other industries, especially those such as engineering, ship-building and the docks which, like coal-mining itself, had archaic and poorly controlled piecework payment systems. To add to the leadership's concerns, politicians were becoming restive. A Conservative Party pressure group published a pamphlet entitled 'A Giant's Strength' in 1958, questioning the monopoly powers of trade unionism. There was also a growing concern about inflation that led, in 1957, to the appointment of a three-person expert body, the Council on Prices, Productivity and Incomes, with the intention of educating public debate. For the more reflective trade union leaders it was plain that a golden age was coming to an end.

Looking back over this twenty year period, however, it can be argued that trade unions made a positive, if diminishing, contribution to Britain's economic performance. After playing a crucial role in the mobilisation of the War economy, they helped to establish highly centralised wage regulation that permitted a period of price stability and low

unemployment (Flanagan, 1999). They supported an apprenticeship-based system of skills training that largely met the economy's needs (Gospel, 1992). This was, as Broadberry demonstrates in Chapter XX, a period of relatively high labour productivity growth in highly unionised manufacturing industries. The spread of collective bargaining probably contributed to the general narrowing of the national pay distribution that occurred during the 1950s (Routh, 1980). The spread of trade union membership to less skilled workers during the 1940s and 1950s encouraged a narrowing of skill differentials at both national and workplace level as a result of electoral pressures within trade unions and their shop steward committees (Turner, 1952). The longer-term problem for labour lay in the way it was managed. As an authoritative study of management concludes: 'In most firms managerial and supervisory systems remained weak: personal management often persisted at senior levels; managers were poorly educated and trained; and levels and functions were inadequately integrated. Labour management was left to line managers and foremen within the firm and was delegated to employers' organisations outside the firm' (Gospel, 1992:178).

The Collapse of the System – 1960-1979

A recurring source of conflict, beginning and ending with this twenty-year period, was the efforts of governments to control inflation by means of incomes policies. As Britain's international competitive position began to deteriorate, and the international balance of payments became more adverse, there were increasing pressures on the exchange rate for sterling. These dominated the lives of governments. Because wage bargaining pressures were widely perceived to be central to the domestic inflationary process, governments repeatedly tried to persuade or coerce trade unions to moderate wage claims. Since what little influence trade union leaders might have had over the process was diminishing rapidly over the course of the period, this proved to be a political nightmare. It continued up to and until North Sea oil came on stream at the end of the 1970s, which effectively removed the balance of payments problem, and removed also the need for politicians to seek trade union support.

The first attempt at incomes policy was unilateral government action. In July 1961 the Conservative government announced a 'pay pause' for all public sector wages and asked the private sector to follow suit. Nine months later it proposed that all pay increases should be kept within the 2 to 2.5 per cent annual rise that was expected in overall productivity. As for the future, the Prime Minister, Harold Macmillan proposed that the government would lay down 'norms' but that difficult cases would be dealt with by a new body, to be called the National Incomes Commission (NIC). Boycotted by the TUC, this was ill-equipped to tackle the few cases handed to it. It did not survive the next election. It was overshadowed by Macmillan's creation of the National Economic Development Council (NEDC) in February 1962. This consisted of representatives of the TUC General Council and senior industrialists, as well as government ministers, and had a substantial specialist secretariat. Against all the odds, NEDC was to survive for 31 years, albeit in increasing obscurity. But it started well. In 1963 it agreed to propose a 'guiding light' of permissible pay increases of between 3 and 3.5 per cent, thereby offering the possibility of a tripartite approach to the wage inflation problem.

This spirit of tripartism was seized by the Labour Government taking office in October 1964. The TUC and the central employers' organisations (shortly to be merged into the Confederation of British Industry) were persuaded to sign a joint 'Declaration of Intent' acknowledging the need for pay and price restraint. Guidelines were to be kept under review by the NEDC, but particular cases were to be investigated by a new body, the National Board for Prices and Incomes (NBPI). This enjoyed the full commitment of both TUC and CBI and had a substantial research and investigation team. It was able to roam beyond individual price and wage references and to explore broader issues such as the wage drift implications of payment by results, and the newly popular practice of productivity bargaining. By getting its staff out into the poorer managed workplaces of Britain, talking to the junior managers and shop stewards who kept things moving, the NBPI was to gain an unprecedented understanding of the complexity of Britain's worsening industrial relations problem. Use of this knowledge was, however, increasingly restricted by the Wilson government's incomes policy.

In late 1965 the government introduced a voluntary 'early warning' system in the belief that advanced notification might temper wage claims. The TUC had itself earlier instituted a similar policy for its members. However, mounting inflation and a strike of merchant seamen in the summer of 1966 led to an exchange rate crisis to which Harold Wilson responded by declaring a complete and compulsory standstill to all pay and price increases. The statutory freeze was partially relaxed at the end of 1966 and the NBPI was given the additional task of determining the criteria for exceptional treatment in the phases of incomes policy that followed. Pay settlements once again exceeded the 'ceilings' proposed, and in late 1969, as political expedience came to dominate the government's selection of cases referred to the NBPI, its Chair resigned. The NBPI itself was abolished after Edward Heath's victory in the election of 1970.

In parallel with these manoeuvrings over incomes policy, the Wilson government had been forced to tackle the question of industrial relations reform. An increasing number of non-mining strikes, typically short, unofficial and unconstitutional, was widely perceived as damaging Britain's international trade reputation. In 1965 a Royal Commission was established under Lord Donovan to investigate all aspects of the problem, especially the scope for substantial alteration to the law. The Commission reported in March 1968, informed by the findings of a substantial programme of research. Like its 19th century predecessors, it favoured collective bargaining as the best means of industrial government, and it saw no reason to abandon the 'tradition of voluntarism'. It considered that the formal system of industry-level agreements was failing because employers were subverting them by preferring to deal with their employees' shop stewards at workplace level. It was up to individual employers to come off the fence and decide whether they wanted to make their industry-level agreements effective, or whether they should face up to what they were doing and commence formal bargaining at enterprise or sub-enterprise level. The law could play little role in achieving this, but an advisory body, the Commission on Industrial Relations (CIR) should facilitate the process of change. So far as strikes were concerned, these were seen as symptoms of chaotic procedures and poor management, and there was no point in penalising strikers so long as these underlying problems remained unreformed. All this was a deep disappointment to the Wilson

government, which wanted clear interventions and fast results. It introduced the CIR, but it also tried to introduce what were called by their opponents 'penal clauses' - compulsory strike ballots and 'cooling off' periods before strikes - which had been rejected by the Donovan Commission. These proposals were thwarted by a back-bench revolt in the Labour Party and time ran out with the 1970 election (Jenkins, 1970). The next attempt at reform was left to the Conservatives.

The reforming legislation introduced by Edward Heath's government - the 1971 Industrial Relations Act - was far more radical than the Donovan Commission's proposal. Behind it lay the belief that something was fundamentally wrong with the voluntary system enshrined in the 1906 Act. It therefore set up a completely new machinery, including a National Industrial Relations Court, supported by the CIR in an investigative role, whereby written collective agreements would be enforceable in law. It specified rights to organise for registered trade unions, and the procedures whereby strike action could or could not be legal. This bold new departure was never put to the test. The TUC boycotted it by insisting that its own member unions deregistered, and it expelled the few unions that refused. Employers were at best unenthusiastic, and proved willing to go along with union requests that collective agreements should be specified to be 'not legally binding'. Particularly damaging politically was a series of disputes concerning small employers whose attempts to apply the new law resulted in complex legal proceedings and massive protest demonstrations. From 1972 Heath's government was drawing back from the legislation, anxious lest it should damage his efforts to rebuild bridges with the unions whose co-operation he now sought as events dragged him reluctantly into his first incomes policy.

Strike action was a constant feature of Heath's period in office. Both the location and the nature of strikes were changing. The coal-mining industry, once the major source of strikes, had calmed down substantially since the introduction of the Power Loading Agreement in 1966, which replaced piecework bargaining at pit level with a national pay structure. In other strike-prone industries there was a shift from the small spontaneous stoppages associated with disputes over manning, piecework, overtime, and so on, to larger and longer disputes encompassing whole workplaces as companies, for example in the car assembly industry, moved towards more formal workplace bargaining along the lines suggested by the Donovan Commission. But a willingness to take strike action was also spreading to industries where it had been largely unknown, perhaps encouraged by the almost obsessive attention given to strikes in the news media. The once virtually strike free public services were affected. Local government, the health service, the civil service, teachers, postal workers and the fire-fighters all took substantial industrial action in the 1970s, in some cases provoked by managerial efforts to improve their efficiency. The most dramatic action of Heath's period in office was, however, taken by the coal-miners, re-entering the fray with the greater unity offered by their new national bargaining arrangements. A coal strike in early 1972 hit the power generating industry so severely that an official state of emergency was declared, with much of British industry reduced to working for only two or three days a week before it was settled. Another massive unofficial strike the following year saw the development of what were called

'flying pickets', mobile bands of activists who organised blockades of coal storage depots.

In 1972 inflationary pressures, partly fuelled by a rise in international commodity prices, drove Heath to seek TUC support in voluntary wage restraint. The CBI launched its own policy of voluntary price restraint. But the TUC was too alienated by the Industrial Relations Act and refused to co-operate. The government then unilaterally introduced a statutory pay freeze, with subsequent intricately drafted phases intended to facilitate productivity-linked pay rises and to provide some protection against rises in the Retail Price Index over a certain limit. But this was insufficient to placate the miners, buoyed up by soaring petroleum prices as a consequence of another Arab-Israeli war. They called for a coal strike for February 1974. Heath announced a General Election in the same month on the platform that the miners were challenging the authority of Parliament. He lost the Election.

The political impact of what was seen to be Heath's 'defeat by the miners' was profound. For the Conservative Party it meant that great resolve and careful planning were devoted to defeating the miners ten years later. More immediately for Labour it meant that the Wilson government returned to power in 1974 desperate to win trade union support for its policies. This showed in its approach to labour law reform, in its approach to incomes policies, and in its approach to public sector employment. Before taking these in turn it is worth noting more generally how much in this twenty-year period Labour Party policy was influenced by trade unions on matters quite unrelated to industrial relations and employment. Through their substantial voting power in the Party they played an energetic role in some of Labour's most divisive internal struggles – over nuclear disarmament, the Vietnam War, and membership of the European Community. Bitter memories of these arguments remained fresh when New Labour distanced itself from the union movement both constitutionally and financially during the 1990s.

The 1974 Labour government used legislation as an inducement to win trade union support for pay restraint in what came to be called the Social Contract. It was by any standards an ambitious programme. The first element of it was to abolish the 1971 Industrial Relations Act and reinstate the *status quo ante*. The 1974 Trade Union and Labour Relations Act did this, reasserting the provisions of the 1906 Trades Disputes Act and preserving only the Industrial Tribunal procedures providing individual protections against unfair dismissals. No thought was given to salvaging some of the positive rights for trade unions to organise that were in the 1971 Act. The second element of the legislative programme was the Employment Protection Act that replaced the NIRC and the CIR with several new legal and quasi-legal bodies of which the most important was the Advisory, Conciliation and Arbitration Service (ACAS), all of which continue, although with somewhat altered powers. The purpose of these innovations was to ensure that industrial relations disputes remained in the hands of industrial relations specialists and out of the normal courts. A third element introduced new individual rights - maternity rights, and rights against discrimination in employment through the 1975 Sex Discrimination Act and the 1976 Race Relations Act - which proved broadly effective and continue. A fourth element was piecemeal measures to assist trade unions in their

work – time off for trade union duties, protections for union activism, rights to consultation on redundancies and on health and safety matters, and a distinctly confused and confusing right to invoke arbitration to get pay up to the ‘general level’ of the locality. Most of these innovations were abolished by the Conservatives in the 1980s. As was a fifth element, a right to call on ACAS to investigate and make a recommendation if an employer refused to recognise a trade union. This ran into substantial problems, most notoriously with a two-year conflict over recognition at a London photographic works called Grunwick, where mass picketing and conflicting court judgements almost brought an early end to ACAS. Finally, the sixth element was an attempt to introduce a form of industrial democracy in the form of elected worker representatives on boards of directors. The committee established to decide the details of this failed to agree on anything, however, and the idea was abandoned.

Since Labour took over power in 1974 at a time of rapidly rising inflation it was inevitable that it would have to re-engage with the problem of incomes policies, of which the trade union movement was now deeply suspicious. Part of the problem was that there was very little restraint that the TUC, or anyone else, could deliver, because the national bargaining structure was becoming ever more fragmented as employers increasingly concluded pay deals within their own enterprises in the frenetic atmosphere induced by double-digit inflation. In 1975, as domestic price inflation rose to an annual rate of 25 per cent, the government was forced to seek support from the International Monetary Fund in its efforts to protect the sterling exchange rate. At this point it was the TUC itself that delivered an incomes policy that was, in effect, used as surety. Called the ‘Social Contract’, the deal proposed a statutory ceiling on pay rises, embodying a substantial redistributive element, in return for the package of rights described. The architect of this policy was Jack Jones, the General Secretary of the Transport and General Workers Union. It was remarkable that Jones, whose reputation had been built on his championing of shop steward involvement in decentralised bargaining, should be the force behind one of the most centralising policies in labour history, but his motive was explicit and political. He feared that if inflation continued out of control it might lead to a more authoritarian government whose first act would be to cripple the trade union movement (Taylor, 2000).

The Social Contract pay policy, backed by strenuous efforts of the TUC, did, by stages, see inflation fall. But there were adverse consequences because it was adhered to most carefully in those sectors where bargaining was least fragmented, notably the public services, whose pay thereby fell substantially behind workers in the private sector and in the nationalised industries. Two groups that looked after themselves were the police and the fire-fighters, whose agitation and, in the case of the latter, strike action, won them a coveted arrangement whereby their pay was (and remains) index linked to a measure of average earnings. But those in the health service and local authorities were not so lucky. When in 1978 James Callaghan, now Prime Minister, proposed an ambitiously low target for pay increases in the run-up to the next General Election, the public service union activists rebelled, and although the ensuing strikes in what became mythologised as ‘The Winter of Discontent’ were not substantial, they had a political potency that did much to lose Labour the election. Callaghan tried to salvage the problem by establishing a Pay

Comparability Commission to restore public service pay. The TUC and CBI announced that they would be willing to engage in what was called an 'agreed economic assessment' and a 'national economic forum' as a basis for a bipartite approach to incomes policy. But the electorate was weary of both the actors and their plays.

Before considering the upheaval that was to follow Labour's defeat in 1979, it is important to note one dog that did not bark. The 1974 - 79 Labour government was notably inactive in its policy towards its own employees, a public sector that amounted to about 30 per cent of all UK employment and almost half of all trade union members. Wilson's first governments in the 1960s had used the NBPI, the NEDC and the Ministry of Technology as catalysts of innovation in labour management in, for example, local government, coal, electricity, and steel. Heath had reorganised health and local government and had introduced Review Bodies to advise on the pay of doctors and dentists, armed forces and top public sector salaries, and Thatcher was later to add further Review Bodies for the nurses and for teachers. But when Wilson returned in 1974, his government seemed fundamentally inhibited by fear of further industrial conflict and the need at all costs to retain trade union support for incomes policies. No attention was given to the manifestly poor labour management in state-owned industries, especially the recently nationalised British Leyland, British Steel, British Shipbuilders, and British Aerospace, which continued the same poor management practices with regard to training, payment systems, management practices, and bargaining procedures that had forced them into public ownership in the first place. No doubt both managers and politicians would have blamed trade union resistance for this; the short-term costs of the strike action associated with breaking this resistance were not considered worth the long-term gains of more efficient labour utilisation. But the unions could see that their industries were being allowed to drift into competitive annihilation, and were in no position to initiate change themselves. Had government provided the combination of product market pressures and managerial competence, the unions could have learnt from strike defeats and responded positively. As it was, Labour demonstrated that it was incapable of managing an efficient public sector. It thereby condemned that sector to the far less sympathetic treatment of the Conservatives.

What of the economic consequences of industrial relations in this increasingly tempestuous twenty-year period? At the macro-economic level there can be little doubt that the root of much of the inflationary pressure with which successive British governments struggled during the 1960s and 1970s was the fragmented, and highly strike-prone, bargaining system. Britain's labour market had become, in international terms, particularly vulnerable in its propensity to amplify external inflationary shocks (Bruno and Sachs, 1985; Flanagan, 1999). At the microeconomic level this was a period during which the national income distribution narrowed again, from the mid-1960s until the mid-1970s. The renewed growth of trade union membership probably contributed to this, certainly the introduction of equal pay legislation between men and women in 1970 did, and also the incomes policies, which typically responded to trade union pressure by applying floors and ceilings to permissible pay rises (Brown, 1976). Productivity growth, as Broadberry demonstrates in Chapter XX, suffered a substantial setback. But while there is a general acceptance that Britain's system of industrial relations constrained

productivity growth during the period, there is more disagreement over whether the prime responsibility for this lay with trade unions or employers, or both (Metcalf, 1993; Nolan 1996). It is a question best addressed by means of contrast with the remarkably changed circumstances of the following years.

Collective Bargaining in Retreat – 1980-1999

Although the Margaret Thatcher's government came in on a wave of anti-union sentiment, it had no grand strategy to address the problem. Almost immediately confronted with what turned out to be the last nationwide strike action in the engineering industry, it passively watched the employers collapse in disunity and concede a shorter working week. Its initial legislation in 1980 offered some constraints on picketing, secondary action and enforcement of the closed shop, but nothing to cause trade unions particular alarm.

Quite quickly, however, the position began to change, both in terms of the economic context and in terms of the government's perception of what could be done. The new government's fiscal policy, and an exchange rate influenced by the arrival of North Sea oil, provoked a sharp recession that hit manufacturing particularly hard. Unemployment doubled sharply to levels unprecedented since the War, from 5 per cent in 1979 to 10 per cent in 1980, and was not fall below that level until 1988. The daily reports of factory closures and redundancies had a growing effect on the self-confidence of trade unions and of their members. In 1980 management precipitated a three-month strike in the still nationalised steel industry that brought the defeat of the unions and cleared the way for plant closures. The government began to give more public support to employers willing to face up to trade union action. A dispute over trade union membership at a small Cheshire printing firm in 1993 was doubly significant. When the union ignored a court order to stop now unlawful secondary actions, it was fined for contempt of court and, when the fines were not paid, its assets were sequestered and its head office taken over by the court authorities. A divided TUC decided not to support the union's unlawful actions. The union had no option but to pay its fines and stop the picketing. The message to the government was clear. Contrary to prevailing assumptions, trade unions could be forced to obey the courts, and they could not expect wider union support if they resisted.

The most politically significant trade union defeat was that of the coal miners in a strike that started in 1984. The government had planned carefully for such an eventuality by ensuring, for example, that coal-fired power stations could be switched to oil and that refurbished wharves could take barge traffic. In the event the National Union of Mineworkers (NUM) walked into the trap by announcing that a rolling strike, that had started in Yorkshire over pit closures, should become an official national strike. The question of the legitimacy of this decision split the union, with a sizeable part based in Nottingham refusing to take part and eventually breaking off into a separate union, but not before it had inflicted substantial legal costs on the NUM for acting unconstitutionally. The government, meanwhile, declined to use its own legislation against the union, knowing that the union's leader might win sympathy if imprisoned for contempt of court. Instead it permitted a large police presence to be mobilised to suppress picketing and disruptive action. After eleven months of violent confrontation in the

coalfields and bitter recrimination within the union movement, the strikers returned to what was to be a greatly reduced number of pits. Over the course of the 1980s the NUM saw its membership fall from over 250,000 to under 10,000. So great had been the damage to the confidence of industrial users of coal that within a few years the once vast mining industry had almost disappeared.

There were many highly publicised and bitter trade union defeats during the 1980s, with increasingly confident employers, backed by a supportive government, typically responding to a sharp change in product market circumstances. Some of these came from technological and other changes within the industry. Thus, for example, the legendary strength of the printing unions was broken in a series of defeats, most notably in 1985 when a major newspaper company, threatened by new technologies, moved suddenly out of Fleet Street to a fortified site on the Isle of Dogs where the print unions were not recognised. In 1988 the merchant seamen's union was broken when its local activists in Dover resisted initiatives by the cross-Channel ferry companies to reduce costs before the Channel Tunnel was opened. In 1989 the once powerful unions covering commercial television suffered a fatal defeat from an employer anticipating the competitive impact of cable and satellite television. All these unions were so damaged that they had no option but to merge with others.

A more calculated product market upheaval achieved radical change in the highly unionised public sector. The privatisation of telecommunications, gas, buses, the airports, steel, aerospace, water, electricity, docks, railways, British Airways, and British Leyland, was achieved, sometimes without any disruption. More often there was local industrial action around the time of transition as union members sought to stave off the new competitive pressures and the new styles of management that were to transform most of their working lives and remove many of their jobs. In the public services the unprecedented competitive pressures came from the requirement to compete for activities that could be out-sourced. This led to a steady growth in employees from private, often non-unionised, contracting companies working alongside the public sector employees. There was also a general erosion of the control over working practice exercised by the professions and supported by their trade unions and professional associations throughout government, health, and education. The use of league tables as a guide to discrimination in resource allocation undermined the once substantial solidarity of these groups.

At the time, much was made of the importance of the Conservative governments' industrial relations legislation in changing trade union behaviour. That legislation emerged by stages, roughly every two years from 1980 until 1993, with disparate measures bundled rather untidily together, sometimes amending or even cancelling earlier measures. It had no radical objective, such as Heath's ill-fated 1971 Act had. It accepted the 'tradition of voluntarism' as given, seeking instead broadly to make striking and trade union organisation more difficult. The anti-strike measures narrowed the definition of a lawful strike primarily by banning secondary action, and banning action that could be considered 'political'. It restricted picketing, required union leaders to repudiate unofficial strikes, permitted the selective dismissal of strikers, and prevented unions from disciplining members who refused to take part in official action. Perhaps

most important of all, a precise balloting procedure was established which subsequently gave rise to the routine use of strike ballots as a normal part of bargaining procedure. The outcome has been that, while almost all ballots go in favour of strikes, very few strikes actually take place; the balloting legislation has in effect facilitated the bargaining process.

The other legislative measures were intended to increase the accountability and representativeness of trade unions. The enforcement of any closed shop was made illegal, and employees were given the right to join any union or none. Trade unions' national executives had to be directly elected by the membership. Ballots had to be held if a union wished the employer to collect membership dues, or if the union wished to have a levy of members for a fund for political campaigning. Any member could inspect unions' financial and membership records, and a new commissioner was created to carry out enquiries into suggested abuses of trade union internal authority. With the exception of this commissioner and the requirement for balloting on the deduction of union dues (both to be abolished later by Labour) these measures, if not welcomed, helped the unions to modernise their internal arrangements and to justify to their members a long overdue increase in membership dues.

There can be no doubting the symbolic impact of the legislation. Nor can it be doubted that it made striking more difficult and increased the authority of trade union leaderships over their grass-roots activists. It encouraged greater procedural care at all levels, and ballots improved the information available to employers. The role of ACAS conciliators became more important - for example, the proportion of ACAS conciliated disputes that led on to strike action fell fivefold during the 1990s. But the law was not the main driver of these changes. It is true that some unions suffered crippling costs as a result of the new legislation, but arguably what mattered far more was simply the fact that employers were facing up to the challenge of those disputes. And the bolstering of the employers' resolve to see the disputes through to victory owed more to their facing a competitive crisis in their product market than to governmental encouragement and legislative support. It was tightening international competition and the break-up of the public sector that transformed British industrial relations in the 1980s and 1990s.

The 1990s were, as Table 4 makes plain, a period of unprecedented industrial peace. What few disputes occurred were increasingly confined to the public sector and, in particular, to those parts of the public sector faced with reorganisation or the prospect of privatisation, such as the postal service and the London underground system. Employers felt increasingly free to do without trade unions or to confine their influence to a narrower range of issues. With greatly reduced inflation, for example, a substantial proportion of employers who recognised unions for consultation and individual grievances, ceased to allow them to negotiate over pay (Brown *et al.*, 2000). Perhaps particularly notable was the fact that firms with trade unions were able to achieve improvements in working practices and manning levels at least as good as comparable firms that had excluded or rejected trade unions (Brown *et al.*, 1998).

In part this was because the character of trade unionism was undergoing a profound change. Increasingly confined to bargaining within individual enterprises, unions came to act more like company unions. They were more dependent upon the employer for resources, of which the most important was recognition itself. They were less able to mount effective industrial action, partly because their members were aware of the increasingly hostile product markets in which their employers operated, but also because union leaderships were aware that a reputation for taking strike action would not help in winning recognition from other employers. In the late 1990s the TUC encouraged what was called 'workplace partnership' agreements, aimed at promoting co-operative rather than confrontational bargaining. It was an acknowledgement that employers were, in effect, 'rerecognising' trade unions for their employees, but doing so on their own terms.

Another important trend that had been gathering pace since the 1970s had been the growth in statutory individual rights: against unfair dismissal, various forms of discrimination, and a range of minimum entitlements. A substantial force behind this had been Britain's membership of the European Union, with the direct or indirect impact of its directives, and of established continental European practice, including the assumption that such issues should be resolved through the involvement of the 'social partners', the employers and unions. By 1999, ACAS was conciliating almost 100,000 individual rights cases each year and the number was growing rapidly. Trade unions were also finding a valued role in helping their members benefit from these new legal rights.

The policies of the Labour government of Tony Blair that took power in 1997 reflected these trends. Committed by its trade union supporters to unravel the Conservative labour legislation and to introduce a National Minimum Wage, it turned to the 'social partners', the TUC and CBI. On the latter they worked closely through an independent advisory Low Pay Commission to produce a result that settled in with little controversy. On the former they bargained out the basis of what became the 1999 Employment Relations Act. This barely touched the Conservative restrictions on strike action. It eased some of the constraints on union organisation and gave union members an important individual right to be represented by unions even if employers did not recognise them. Most controversially, it introduced a procedure whereby, if unions can prove that they have substantial membership support, employers can be obliged to grant them recognition. Although the symbolic significance of this should not be under-rated, its effects were only as great as trade union power could assert. While trade union membership was once again starting to grow in 1999, after 18 years of contraction, there was no reason to expect a return to any semblance of past trade union influence.

What have been the economic effects of this turnaround in industrial power? Whether or not changed industrial relations played a part, the evidence certainly suggests that Britain's relative productivity performance improved over the period, as Broadberry describes in Chapter XX. The post-war gap between productivity growth in Britain and other European economies did not re-emerge after 1979 (Crafts, 1997). We can, however, say much more about the causative influence of labour management for this than previous periods, because of a series of large workplace surveys in 1980, 1984, 1990 and 1998 that provided repeated and representative statistical data on a number of key

variables. They show that the extent of negotiation at the workplace declined substantially between 1980 and 1998 (Millward *et al*, 2000). One illustration will suffice. The 1980 and 1998 surveys allow us to compare directly the experience of managers of workplaces of 25 or more employees where unions had workplace representatives. The proportion of managers who said they negotiated with these representatives over recruitment fell from 43 per cent in 1980 to 3 per cent in 1998 (Brown *et al*, 2000). There is clear evidence that, on a wide range of labour management issues, and over most sectors where unions had once been strong, their influence had been greatly reduced.

If the evidence is clear that management became less constrained by trade unions during the 1980s and 1990s, was this reflected in economic outcomes? Let us consider first 'mark-up' of the wages of unionised employees over non-unionised, bearing in mind that this is a flawed indicator of union impact since many firms which are opposed to trade unions pay above market rates as a defensive measure. A union wage premium of up to around 10 per cent in the presence of a closed shop was evident in 1980 (Stewart, 1987). This appears to have declined in the late-1980s (Stewart, 1990, 1991, 1995) and by the late 1990s a number of studies showed no general workplace-level union mark-up, but some evidence of a small mark-up for women and in workplaces where union membership is high (Hildreth, 1999; Booth and Bryan, 2001; Machin, 2001; Bryson, 2002).

What of the productivity of labour? Had unionised labour also become more productive? The linking of productivity with pay negotiations became more frequent in the 1980s (Marsden and Thompson, 1990), during the 1990s it became the norm (Brown *et al*, 1998). There appears to have been, at the start of the 1980s, the emergence of a positive association between trade unionism and higher productivity growth. Productivity growth in unionised employment increased relative to that in its non-union counterpart between the 1970s and the early 1980s, by when, by most accounts, it had become absolutely higher (Wadhvani, 1990; Oulton, 1990; Nickell *et al*, 1992). While there was evidence that union presence was associated with lower *levels* of productivity in 1990, a comparable study found no evidence of this by 1998 (Ferne and Metcalf, 1995; Addison and Belfield (2001). This would support the case study evidence that unionised workplaces had tended to catch up with the productivity levels of non-unionised workplaces during the 1990s.

This combination of changing union wage and productivity effects has been reflected firms' financial performance. Although the main studies rely upon managers' subjective assessments of their firm's performance, the trend appears clear. In the 1980s there was evidence of unions having a negative association with firm performance. By 1990 these effects had diminished, especially in more competitive markets (Machin and Stewart, 1990, 1996; Menezes-Filho, 1997). By 1998 a number of studies could detect no association at all between various measures of union presence and the firm's financial performance (Addison and Belfield, 2001; Bryson and Wilkinson, 2002). By the end of the period unions had ceased to be associated with adverse effects upon profitability.

What about union members? The evidence is clear that employers came to find unions easier to work with in the later 1980s and the 1990s. But was this at the expense of their members? It should be noted, first, that unions have continued to have a substantial effect on the equality of pay structures, narrowing differentials across gender, ethnicity, and occupation (Metcalf et al, 2001). Secondly, there is evidence that unions continue to protect 'public goods' in employment. Positive associations with trade union presence have been found in studies of training (Green, 1993). There is evidence that union presence has a benign effect on labour turnover (Elias, 1994). There is a similar association with health and safety at work, although the weakening of union influence since 1979 appears to have been associated with some erosion of this (Dawson *et al.*, 1988; Sandy and Elliott, 1996). Thirdly, unions appear successful in upholding individual rights. For a number of statutory individual rights, a trade union presence in 1998 was associated with improved employer conformity - and, indeed, with improvement on those rights (Brown et al, 2000). Despite the general decline that has been described in union influence over the control of work, their influence appeared still to offer their members substantial benefits in terms of improving the working environment and the defending of right at work.

Declining union influence may, however, have been reflected in income distribution. The contraction of collective bargaining in Britain since 1980 was accompanied by a marked growth in wage inequalities, reversing moves towards greater equality in the distribution of earnings that characterized the post-War period up to the late 1970s. Since 1978, real hourly wages of employees in the bottom decile of the wages distribution rose by 20 per cent, compared with 66 per cent for those in the top decile (LPC, 1998). If unearned incomes are taken into account the picture becomes starker. The top one per cent of income recipients saw their share of total income in the UK, which had been falling steadily since the 1910s, double from about five per cent to about 10 per cent between 1980 and 1998 (Atkinson, 2001). If one takes the broadest perspective, in 1994 the share of employment income in national income was the lowest since 1950, and more than 10 percentage points below its peaks in 1975 and 1980 (Ryan, 1996). In international terms, Britain's experience of widening earnings inequality was extreme. An analysis of male wage inequality from the late 1970s to the mid 1990s suggests that the dispersion of earnings widened much more in Britain and the US than in continental Europe (Machin, 1999).

Although there will have been many contributory factors, including changes in the supply of and demand for skills and the abolition of wages councils, an analysis of the British Household Panel Survey from 1983 and 1991 attributed between 20 and 37 per cent of the rise in wage inequality to falling unionisation (Machin, 1997). It also suggested that while wage inequality among individuals rose within both the union and the non-union sector, the spread of earnings increased at a faster rate in the non-union sector. It thus appears that both the weakening of unions in the unionised sector, and the diminution in size of that sector, contributed to the substantial increases in incomes inequalities during the 1980s and 1990s. Compounding this diminishing union impact, there is evidence of a further collapse among the unorganised. Gosling and Machin (1995) found a widening of the gap in the spread of earnings across union and non-union plants between 1980 and

1990, estimating that around 15 per cent of the rise in the dispersion of semi-skilled earnings between 1980 and 1990 was attributable to the decline in unionisation. In short, the sharp increase in income inequality in Britain at the end of the 20th century is in part a consequence of the weakening of trade unions.

Conclusion

Anyone scanning the newspaper headlines over our 60 year period could be forgiven for concluding that industrial relations lay at the heart of Britain's economic performance. Trade unions, it might be conjectured, were the root of the country's economic problems. Certainly they featured prominently and often noisily throughout much of the period, whenever governments strove to defend exchange rates by restraining pay, and whenever employers tried to meet new competitive pressures by changing working practices and shedding jobs. But it would be misleading to see the explanation as ending there. Trade unions are fundamentally reactive organisations. They can act to defend their members' jobs and pay and skills, but there is little they can do to create new structures or to innovate employment practices. The failures and achievements of trade unions in terms of the performance of the economy unavoidably reflect those of the employers with whom they deal.

Trade unions emerged from the Second World War stronger, more united, and closer to government than ever before, able to deliver what was generally considered appropriate for a mixed economy of that era. In the private sector this began to crumble in the 1950s as a tight labour market encouraged employers to subvert their sectoral collective agreements, thereby nurturing workplace union activism and fragmented *ad hoc* management that led to a loss of control in many key industries. Rising strike propensity and defensive, short-term management fed off each other with grave consequences for economic performance. It was not to be until the 1980s and 1990s that tightening competitive pressures forced appropriate improvements in management control, assisted to some extent by government action that further weakened trade unions. There is ample evidence of improved competitiveness in those industries that survived. For the public sector the crisis came a decade or so later, and again it was product market pressures, but here primarily through privatisation, that brought about an upheaval in the way labour was managed. Still unclear at the end of the period were the consequences for the quality, as opposed to the cost, of public services.

As the period ended it was becoming evident that the weakening and contraction of trade unions might generate new problems. Deepening inter-personal inequality and the denial of representation for the weaker employees were creating an increasingly stratified labour market. The wider societal consequences arising from poverty and divided communities were likely to create new demands on the economy and new constraints on economic performance. The creation of more statutory individual employment rights was unlikely to be sufficient to deal with this prospect. The key question was becoming whether trade unions could be assisted to develop new forms of collectivism with which to embrace and protect employees.

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