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**The Reform of Business Representation in Britain 1970-
1997**

by

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A thesis submitted in partial fulfillment of the requirements for the
degree of Doctor of Philosophy in Politics and International Studies

University of Warwick, Department of Politics and International
Studies, July 2005

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ACKNOWLEDGEMENTS

I would like to thank Wyn Grant, Sam Howarth, David Botterill, friends and family, and all who have helped me on my way.

Abstract

Britain has a fragmented, overlapping and under-resourced system of business representation. Attempts at reform, however, have proved difficult and largely unsuccessful. The thesis investigates the reasons for this failure, with an emphasis throughout upon the rationalisation of association structures and the political and economic significance of reform. A coherent and logical system of business representation is relevant, both in terms of an effective dialogue between government and business, and the promotion of competitiveness and productivity. Dialogue will prove difficult whilst there is a confused system of associations. Evidence suggests, moreover, that better organised and resourced associations would assist the competitiveness of British industry. The main focus of the thesis is the Devlin Commission on Industrial and Commercial Representation. This was set up in January 1971 by the Confederation of British Industry (CBI) and the Association of British Chambers of Commerce (ABCC) and was an attempt to both modernise and rationalise Britain's system of business representation. It reported in November 1972 but its recommendations would prove controversial with business and no significant changes would result. Devlin, therefore, was both a disappointment and a lost opportunity. The thesis also looks at how the debate regarding effective business representation has continued from both a business and government perspective. The Heseltine initiatives of the 1990's would, for example, bring fresh impetus to the subject and produce, among other measures, a series of benchmarking exercises leading to the establishment of the Trade Association Forum (TAF). The twin challenges of globalisation and new technologies are providing a new stimulus to change, leading to the renewed prospect of progress towards a more effective system of business representation. It is, therefore, an appropriate time to review the efforts made thirty years ago, learn lessons from them, and link the earlier debate to more recent efforts to secure reform.

ABBREVIATIONS

ABCC	Association of British Chambers of Commerce
ABI	Association of British Insurers
APS	Assistant Personal Secretary
BCC	British Chambers of Commerce
BEAMA	British Electrical and Allied Manufacturers Association
BEC	British Employers Confederation
BICEMA	British Internal Combustion Engine Manufacturers Association
BDA	Bundesvereinigung Der Deutschen Arbeitgeberverbände (Confederation of German Employers' Associations).
BDI	Bundesverband Der Deutschen Industrie (Federation of German Industries).
BRIMEC	British Mechanical Engineering Confederation
CAP	Collective Action Problem
CBB	Confederation of British Business
CBI	Confederation of British Industry
DTI	Department of Trade and Industry
EDC	Economic Development Committees
EEC	European Economic Community
EEF	Engineering Employers Federation
EO	Employers Organisation
EU	European Union

FBI	Federation of British Industries
FT	Financial Times
GMB	General Municipal and Boilerworkers Union (*now referred to as 'Britain's General Union)
GOR's	Government Offices of the Regions
IOD	Institute of Directors
ILO	International Labour Organisation
KIF	Knitting Industries Federation
LSE	London School of Economics
MAFF	Ministry of Agriculture, Fisheries and Food
MHEA	Material Handling Engineers Association
MRC	Modern Records Centre
MSC	Manpower Services Commission
MTTA	Machine Tool Trades Association
NA	National Archives
NABM	National Association of British Manufacturers
NEDC	National Economic Development Council
NEDO	National Economic Development Office
NFU	National Farmers Union
NSTO's	Non-Statutory Training Organisations
OECD	Organisation for Economic Co-operation and Development
PCA	Parliamentary Commissioner for Administration
PEP	Political and Economic Planning
PRO	Public Records Office
RDA's	Regional Development Agencies
RTZ	Rio Tinto Zinc
TA	Trade Association

TAF	Trade Association Forum
TEC's	Training and Enterprise Councils
TGWU	Transport and General Workers Union
TUC	Trades Union Congress
UCATT	Union of Construction, Allied Trades and Technicians
USDAW	Union of Shop, distributive and Allied Workers

CHAPTER 1:

Introduction

If one sought to improve the British system of business associations, one would have to consider not only basic principles, but the complex set of interests and institutional arrangements embedded in the existing system, and how government initiative might stimulate effective change without resentment (Grant, 1993a, p. 195)

A substantial body of literature, including the Report of the Devlin Commission on Industrial and Commercial Representation, has identified fundamental problems with the structure of business representation in Britain. The Devlin Inquiry, representing a largely unsuccessful attempt to modernise Britain's system of business representation, is the main focus of the thesis. However, there is also an analysis of the Heseltine initiatives of the 1990s and more recent pressures for change arising from globalisation and new technologies. All these developments are discussed in terms of why it has been so difficult to rationalise the system of business representation in Britain and the wider consequences of this failure for business/government relations. This opening chapter:

- Looks at how business is represented in Britain, and defines some key terms.
- Provides a critique of Britain's system of business representation, and outlines some recent improvements.
- Considers why reform is so important
- Outlines and evaluates the methodology of the research
- Outlines the structure of the thesis

How is Business Represented in Britain?

British business is represented at different levels in different ways. Some firms, especially large companies, may deal with Government direct. Alternatively, firms may use consultants.¹ However, they will often work through business associations. These include national representative bodies such as:

- The Confederation of British Industry (CBI), the central representative body for businesses in Britain.
- The British Chambers of Commerce (BCC), the central representative body for the chambers of commerce²
- The Engineering Employers' Federation (EEF), the membership of which comprises companies in the manufacturing sector
- The Institute of Directors (IOD), the individual membership organisation for directors of companies
- The Federation of Small Businesses, which represents small businesses
- The Forum of Private Businesses, again represents small businesses

Business is also represented by 'trade associations'. Boleat, who has written a great deal on this subject, writes:

¹ There has been an increase in recent years in the number of political consultants offering services to firms and business associations. The term refers to "someone who is professionally employed to lobby on behalf of clients or who advises clients on how to lobby on their own behalf" (Select Committee on Members Interests, 1991, p. v). Why would firms or associations wish to use a consultancy? For a medium sized firm, the likely volume of work may not justify an 'in house' government relations division. Smaller associations, meanwhile, may wish to subcontract out its work, especially parliamentary matters, to a consultancy. Larger firms and associations may also use consultants. As one firm put it: "Consultants roam about the outside world, they have more informal contacts, they can duck and weave in a more political way than would be possible for us" (Grant, 1993a, p. 100).

² The BCC represents and provides services to local chambers, and also, more generally, seeks to speak on behalf of industry and commerce generally. In this sense, therefore, it 'competes' with the Confederation of British Industry and The Federation of Small Businesses and so on as a national representative body for industry and commerce, in particular when it comes to small business.

Trade associations provide representative and other collective services to businesses, generally in a specific sector with common interests. There are a number of different types of association. At the margin, trade associations overlap with other industry bodies (2003a, p. 1)

Most cover a specific sector or subsector of an industry but some cover processes or functions (Boleat, 2003a, p. 1). Boleat points out the number of different types of trade associations, often with “blurred dividing lines”. The most common are *single industry associations* representing providers of a particular good or service. These can be wide ranging (ie, the whole of the insurance industry) or narrowly based (ie, representing a ‘sub-sector’, such as private medical insurers). Some associations will represent particular *functions or processes* within a sector, for example exporters or suppliers to a particular type of business. *Horizontal associations*, meanwhile, undertake particular processes or functions *across* a number of sectors (ie, The British Consultants and Construction Bureau). *Geographical associations*, on the other hand, represent organisations in a sector in a particular region. *Federations* are associations of associations (for example, the Food and Drink Federation consists of numerous associations representing sub-sectors of the food and drink industry). The situation is, however, complicated by the fact that some federations have direct membership by the major companies which operate across the whole sector and are, therefore, both federations and single company associations. *Confederations*, logically, are associations of federations.³

³ Boleat also refers to *National associations* which represent the whole of industry (eg, the CBI) or of a particular function (eg, the Federation of Small Businesses). Arguably, however, it is preferable to class these as ‘national’ bodies as opposed to trade associations. Linked to these, there are *European associations* which deal with the institutions of the European Union (most taking the form of federations of national associations), and *International associations* (likewise, federations of national associations)

It is useful to focus on the difference between *trade associations* (TAs) and *employer's organisations* (EOs) As the Devlin Report puts it, the former operate in the 'economic field' and the latter in the 'social field' (Devlin, 1972, p. 2). 'Economic' activities relate to production, trade and general economic policy. 'Social activities' involve the field of employment, and in particular wages and conditions, social insurance, training, safety etc (Devlin, 1972, pp. 1-2). "Employers' organisations provide only an employment service to their members. This can range from collective bargaining for the whole industry to the provision of information, advice, training and consultancy services" (Boleat, 2003a, p. 3). Some organisations, however, carry out both social and economic functions (a point we return to below).

Locally business is represented by chambers of commerce and chambers of trade. Chambers of Commerce represent firms in all sectors operating within a particular town or wider geographical area. Their representational work is confined to local issues and generic training and promotion are among its functions. The Devlin Inquiry distinguishes between 'chambers of commerce' (ie, "all incorporated bodies which claim to be representative of manufacturing, merchants, service industries and retailers in an area") and "chambers of trade" ("those bodies which are comprised mainly or entirely of those involved in the distributive trades in a district. They are not, and would not claim to be, representative of business activity in an area, ie including manufacturing"). (Devlin, 1972, p. 18). Most organizations known as "chambers of commerce" are, the Commission argue, in fact "chambers of trade". (Devlin, 1972, p. 18). It should be noted that the manufacturing v. retailing distinction was much more important in the 1970's than it is today.⁴ The chambers of trade had a separate national co-ordinating body, the National Chamber of Trade, but this no longer exists. Furthermore, chambers of trade were, essentially, for small shopkeepers who have

⁴ Email correspondence with Wyn Grant, 1/12/2004.

diminished in numbers. Nevertheless, chambers still exist with a large numbers of retailers in membership, and this is consistent with Devlin's definitions.⁵

It should be noted, incidentally, that different authors offer varying (often contrasting) definitions of key terms (see, for example, Devlin, 1972, p 1-2; Grant, 1993a, p. 104, Boleat 2003a, pp. 1-5 and p. 16). Definitions should be clear, logical, and offer ease of use. Given the focus here is principally upon Devlin, the thesis uses definitions consistent with those outlined in the Report. When organisations perform both social and economic functions, the term 'employers' organisation/trade association (EO/TA) will be employed (Devlin, 1972, p. 2). When referring broadly to all TAs, EOs and combined, the term 'employers' *association* will be used (Devlin, 1972, p. 2)⁶. When we need to refer to *all* associations including, for example, chambers or national 'peak' or 'umbrella' organisations (such as the CBI), the generic term *business associations* is most helpful.⁷ Whilst this may appear an arbitrary way to distinguish different types of organisation, it is logical, consistent with Devlin and is the most useful way to proceed.

A Critique of Business Representation in Britain

The Devlin Commission noted the contrast between the 'duplication and confusion' in many areas of industrial representation with the 'orderly and logical pattern' prevailing in other European countries (Devlin, 1972, p. 7). The report was critical not only "of the absence of connecting links between organisations operating in the same industrial field

⁵ Email correspondence with Wyn Grant, *ibid*

⁶ Grant, somewhat differently (Grant, 1993a, p. 4), uses the term 'employers association' to refer to the 'merged organisations' and also those business associations whose memberships are not confined to a particular sector (eg chambers of commerce and 'peak' or 'umbrella' organisations such as the CBI claiming to speak for business as a whole at a national level). The term is not used, however, to include 'straight-forward' trade associations or employers organisations. Boleat (2003) appears to use the term to apply to merged associations only.

⁷ In a similar sense, Valler et al use the term business interest associations (BIAs) as a generic term.

but also of “the existence of links where hierarchically they ought not to be” (Devlin, 1972, p. 7). It noted, for example, that the CBI gives access to the top tier to companies who do not even belong to organisations in the third tier (Devlin, 1972, p. 7).

The CBI is Britain’s most prominent business organisation and the only one with a claim to speak for business as a whole. Nevertheless, it “still disappoints its creators” (Mitchell, 1990, p. 633), and hopes of a more constructive relationship between government, business and unions have proved unfounded. The CBI is better described as an ‘umbrella’ than a ‘peak’ organisation as it organises both business associations and firms, with firms providing most of the revenue. This, however, “may be an unhappy compromise which constrains the organisation’s effectiveness” (Grant, 1993a, p. 111).⁸ A firm can belong to the CBI direct, bypassing its sector association, or it can rely on its sector association’s affiliation to keep contact with the CBI. Most firms, however, are direct members of both the CBI and their sector organisations. Fraser, in an interview with Grant, suggested that many problems with the British system could be traced back to the decision in 1916 to allow companies and not just associations into the CBI.⁹ An association director, meanwhile, commented:

In Germany, trade associations pyramid up to the BDI and it is not possible to by pass the second or third tier associations and come directly to the BDI. This produces a very tidy hierarchy of decision making and commitment. In distinction is the anarchy of the United Kingdom where (the) CBI is a hybrid organisation....I am not surprised that we are not more efficient in the British trade association business (Grant, 1993a, pp. 104/5)

⁸ Boleat argues, however, that the reality of the CBI is that it is run by companies. Therefore, its mixed membership is not a problem (*interview*, 16th Sept 2004).

⁹ Interviewed in London by Grant, 11 February 1981 (Fraser was Director of the Devlin Commission).

In the words of the CBI website, “the organisation represents companies from every sector of UK business: small and large, from manufacturing to retailing, agriculture to construction, hi-tech to finance, transport to consultancy”¹⁰ In the late 1970’s the CBI increased rather significantly its members from the financial sector and elsewhere. Macdonald, for example, notes how the CBI has become “the voice of British business”, and that this has been achieved without any merger with the ABCC (interview, 22nd Sept 2004). It should be noted, in particular, that the Retail Consortium, which did not belong to the CBI at the time of Devlin, is now a member of the organisation¹¹. Grant refers to “the sheer breadth of interests the CBI seeks to represent” which “sets up a number of potential lines of conflict within the organisation”. This wide membership has resulted in “potential tension within the organisation between the sometime divergent interests of manufacturing interests and the City” (Grant, 1993a, p. 11). Indeed, there has been a concern in more recent years that the organisation has not given enough priority to manufacturing.¹² Moreover, the CBI’s political strength comes from it having most of the hundred largest companies within its membership. Arguably, therefore, it does not do enough to represent small business, especially on issues which bring larger and smaller companies into conflict (for example, prompt payment of bills). Denis Healey, Labour Chancellor from 1974-1979, recalls:

Finding that the CBI was not always the best guide to industrial opinion, since it was heavily weighted towards the big international companies, I made a point of meeting chambers of commerce as well, because they better represented the broad range of small and medium sized firms (Healey, 1990, p. 382)

¹⁰ www.cbi.org.uk, accessed 28/01/04

¹¹ Email from the Retail Consortium, 7th Sept 2004.

¹² It was this that led to the establishment in 1991 of a National Manufacturing Council within the organisation. The *Financial Times* commented at the time that it was “a bit like setting up a society for the appreciation of the Virgin Mary within the Vatican” (*Financial Times*, 22 October 1991).

The chamber of commerce movement has always been at a disadvantage due to its lack of public law status and obligatory membership which most of its continental European counterparts enjoy. In Germany, for example, chambers have a key role in providing training facilities, monitoring training and setting examinations. Macdonald notes how the DTI gives time and attention to the BCC “but nobody else does”. As he puts it: “when was the last time you saw a quote from their Director in The Times...it just doesn’t happen” (*interview*, 22nd Sept 2004). Boleat argues that the Chambers have a ‘big identity problem’. They may call themselves the voice of British business but they are not in the same league as the CBI. The chamber movement competes with the Federation of Small Business as the voice of small business but at a national level people are listening to the CBI. In other words, although the chambers have a role at local level, what they are for at national level is quite difficult to see (*interview*, 16th Sept 2004). The BCC has always been under-resourced compared to individual chambers and these are stronger in some areas than others (Grant, 1993a, p. 118). Major chambers in areas such as London and Birmingham have always been well-researched, with professional staff, and been effective both in terms of representation and services provided (Grant, 1993a, p. 118). This is not, however, the case with all chambers. In an appeal for donations of equipment such as a large teapot, cups and saucers, and a calculator, a chamber noted that the “first floor over a small newsagents shop is not the best of locations for the Commercial centre of the Borough’s Business Activity” (Stewart, 1984, p. 44).

Dore characterised “a typical trade association with an ex-brigadier as its secretary, a minor information-distributing and lobbying role and the membership of only half the firms in the industry”. (Dore, 1987, p.200). Although a caricature, and despite some recent improvements (see below), this still holds a grain of truth (Grant, 1993a, p. 124). Government has long been aware of the inherent problems in British

business representation bodies, where, in Bennett's words, "smallness, fragmentation and individualism have been endemic and historically long developed" (Bennett, 1995, p. 275). Boleat argues that most sectors do not put the resources they need into representation. They do not see it as worth it as in the 'short term' and even if representation is successful members are often not aware of this. In other words, there is a problem in 'demonstrating value', an issue the TAF is working on (*interview*, 16th Sept 2004).¹³ Lane, meanwhile, sums up some of the organisational problems of business associations:

Their incremental growth over a long period of time, without any regulation, has created a very fragmented system of organisations where, in some industries, a large and often overlapping number of trade associations have competed with each other for members. Despite much reorganisation and merger activity in recent years, there are still far too many bodies and inadequately resourced associations, duplicating functions" (Lane, 1997, p. 24).

In Macdonald's words, "there are too many trade associations. There will always be too many" (MacDonald, 2001, p. 12).¹⁴ Trying to put a figure on the number of associations, depends, to some extent, upon the definition used. If trade associations are widely defined to include, say, local associations of street traders then there are many thousands in the UK (Boleat, 2003a, p. 6). The Devlin Report estimated that in 1972 there were 860 associations and a further 800 associations affiliated to them.¹⁵ In 1994, meanwhile, the Trade Association Research Unit of Manchester Metropolitan University undertook an analysis of associations. They studied directories of trade

¹³ See, for example, *Value Added Measurement for Trade Associations: Guide to the Methodology* (TAF, 2004).

¹⁴ Boleat does not believe that there are too many trade associations. You could, he says, write a PhD thesis on the number of associations but it is an irrelevant issue (*interview*, 16th Sept 2004). He also believes that small trade associations can often be more effective than an 'incredible bureaucracy' (*interview*, Sept 16th, 2004).

¹⁵ Actually, it is a little more complicated than this (see Chapter 4).

associations and professional bodies and identified 1,300 likely trade associations. The Trade Association Forum currently has over 300 members and the directory of associations on its website lists 700. Finally, the *Directory of British Associations*, published by CBD research shows over 1,600 organisations as trade associations. The situation is complicated in that in some sectors there are many different associations but run by a single secretariat as a single organisation (Boleat, 2003a, p. 6). Boleat sums up, "The best overall conclusion is that there are probably between 300 and 600 separately run associations which employ full time staff and probably more than 1,000 smaller associations with no staff" (Boleat, 2003a, p. 6).

The Devlin Inquiry pointed out how "a businessman can find himself paying out substantial sums to quite a number of bodies without being at all clear what he gets in exchange" (Devlin, 1972, p. 4). Furthermore, he can find himself attending quite a number of different meetings at which the same sort of subjects are discussed (Devlin, 1972, p. 4). As MacDonald puts it: "It is not easy to argue the case against rationalisation where that should lead to a more coherent voice for a sector and result in a concentration in the use of industry's resources" (MacDonald, 2001, p. 12). When a trade association merges, for example, costs should be reduced as there is need for only one chief executive, one office and so on. Of course, in the commercial world, competition is seen as a good thing. Mergers between companies can bring competition concerns, and monopolies are seen as undesirable. In contrast, competition between two associations in a sector results in the duplication of effort and a less effective representative voice. As Bennett and Payne put it, the result of the large and diverse pattern of sector representation "is a situation that may make it difficult for individual sectors to influence government" (Bennett and Payne, 2000, p. 28). In Boleat's eyes, "the ideal is for a single association for an industry so that the representative function can be performed effectively" (Boleat, 2003a, p. 171).

The calibre of trade association staff has been a particular problem. A comprehensive set of core competencies for the senior managers of trade associations was drawn up by Compass Partnership (under the auspices of the Trade Association Forum) and made available in 1998. The Report states that “senior managers have a critical role to play in trade associations. It is therefore important that associations have senior managers with the right skills and experience” (1998, p. 3). One respondent put it bluntly: “if you pay peanuts you get monkeys”.¹⁶ The Compass Partnership survey also identified that 39 per cent did not hold a degree or equivalent qualification, although the proportion did increase in the large associations (Compass Partnership, 1998, p.9). It can also be noted that only just over a quarter of those responding had followed a trade association career route (eg. been employed previously by another trade association).¹⁷ Trade association work is changing and now requires different and more sophisticated skills. Boleat notes that the main task used to be of servicing committees and “the skills required were those of the committee clerk” (Boleat, 1996a, p. 176). By the 1990’s more tasks were devolved to the secretariat who had to take more responsibility. Unfortunately, as one interviewee observed, “For a lot of people, trade association work is a second career and there is not a lot of career development”. The Compass Partnership found that under half the surveyed associations had a formal appraisal system and that the amount spent on training was considerably lower than the British industry average (Compass Partnership, 1998, p.11). Boleat argues that trade associations require an £80,000+ chief executive in order to be effective (*interview*, 22nd Sept 2004).

¹⁶ Although it should be noted that many directors of associations do receive salaries comparable to the higher levels of the civil service

¹⁷ Indeed, 10 per cent came from a military background, something which in Grant’s experience can be disastrous (Grant, 2000a, p. 176).

Recent Improvements

The quality of trade associations and their staff have improved in the past 10 to 20 years (*Boleat interview*, 16th Sept 2004). Indeed, “the quality of association staff has been rising impressively. A new breed of Director is emerging - strategic, innovative, energetic and relishing being involved in the management of change” (MacDonald, 2001, p. 22). Macdonald refers to “the emergence of bright (usually young) Association Directors with ambition and improvements in the quality of staff at all levels...Associations are becoming more Director-Led and less Committee-led” (MacDonald, 2001, p. 4). Member companies are casting their net widely in their search for quality Directors, looking less to the Armed Forces and more to the private sector, the professions and the TA movement itself.¹⁸ These changes have, if anything, been even more dramatic below Director Level. Instead of the ‘dinosaurs’ of old, Associations now have young, energetic and professional staff (MacDonald, 2001, p. 23). MacDonald found that one medium-sized Association had six graduates on its staff. He concludes:

They (*trade associations*) may ... be entering a virtuous circle where the better career prospects which Associations can now offer will attract bright people in mid-career into Association work; where the Association world becomes one where young graduates will want to work and where members’ rising stars will want to spend some time on secondment; where the ambitious, and not just the time-serving, will expect to find satisfying life-time careers, and will move from one Association to another for new challenges (MacDonald, 2001, p. 24)

¹⁸ Whilst Boleat accepts that a great deal of mistakes were made by ‘military men’ in the past, the military has changed and there have been ‘some quite good military men recently’. Certainly the old style ‘do this or I’ll shoot you’ approach does not work. (*interview*, Sept 16th, 2004).

The 2001 Benchmarking Study, meanwhile, refers to a levelling up of salaries, both for Director Generals and second tier staff, especially among small associations. There is also evidence of increased attention to the quality and development of staff. Three-quarters of associations have staff appraisal systems in place (87% of large associations) while 80 % also have strategic plans (Fairclough, 2002, p. 2). Many associations have, however, experienced difficulties in attracting suitable candidates to serve on the governing body (40%) or to serve as Chairman (32%), in particular among smaller associations (*ibid*).

There have also been impressive initiatives of rationalisation in recent years (Macdonald, 2001, p. 12). Two examples are the coming together of five Associations into the Quarry Products Association, and the mergers of Associations within the castings sector (MacDonald, 2001, p. 12). There are, however, also disappointments, where initiatives to bring Associations together have foundered (MacDonald, 2001, p.12). As the 2001 Benchmarking Study puts it, only 8% of those who had took part in the 1999 study had merged in the prior two years - less than half of those who had expected to (Fairclough, 2002, p. 1). A key finding of the Study, however, is that a large number of associations have entered into formal arrangements with other associations over the last two years. Some 23% of respondents have formed such alliances and, when combined with those that have merged, a total of 31% of respondents are working more closely with other associations (Fairclough, 2001, p. 1). Macdonald is positive about trade associations who whilst not actually merging are working on projects together (*interview*, 22nd Sept 2004). Indeed, Boleat argues that a better model than a merger may be a number of associations run by the same group. This would allow economies of scale: eg, the sharing of a website (*interview*, 22nd Sept 2004).

:

There is, however, continuing pressure on subscription income for trade associations. Very few associations have progressed to a higher size band. As regards

associations that took part in 1997 and 2001, subscription income rose overall by 10.5% in five years, a figure concealing losses as well as gains. (Fairclough, 2002, p. 2). A sensible conclusion, therefore, would be that despite improvements in recent years, many of the problems referred to by Devlin remain. In the words of Macdonald: “Government Departments find TAs very patchy in performance, often unexpectedly reluctant to learn how Whitehall works, and occasionally quite unrealistic in their expectations of Ministers or of civil servants” (MacDonald, 2001, p. 6).

The Importance of Reform

There are, therefore, clear problems with Britain’s system of business representation. As a corollary to this, we need to ask why reform is so important, and for whom.

Ineffective representation is not in the interests of industry, the state or association officials. Civil servants and many firms become frustrated by a situation in which there is more than one broadly based association which can be seen as a spokesman for the whole industry. Overlaps and duplication between associations, moreover, makes the task of association staff more difficult and, in the long run, discourages the attraction and retention of staff of a high calibre. In terms of dialogue, it will be easier for government if they are know who associations represent, if business is talking with ‘one voice’ (a point we develop in Chapter 5), and if the representations they receive are of a high quality (adequately resourced associations with good quality staff being vital here). To put it another way, governments will prefer to talk to bodies which are capable of developing a considered view on behalf of the sector they claim to represent.

Effective dialogue will, therefore, contribute towards good government and, moreover, further the public interest. Business, for example, can give government advice on the practical consequences of a particular policy, thereby helping government to avoid policies that are ineffective or have undesirable and unintended side effects

(Grant, 2000a, p. 36). Boleat has argued that trade associations in particular have two important roles in contributing to good government (2000a, p. 62):

- They legitimately represent the interests of sectors of industry and commerce whose views must properly be taken into account in the policy making process. The better they can perform this function the better-informed government will be
- They study the detail of government proposals (in a way unlike many other interest groups) and therefore can help make sure legislation and regulations achieve their intended purpose. In a sense, therefore, trade associations provide a useful supplement to the scarce resources of the Civil Service. The more effective trade associations can be in this task, the better the quality of legislation.

Trade associations, therefore, act “as an unpaid consultant to government” (Boleat, 2003a, p. 19). Unfortunately, the importance of good consultation is not generally accepted within government (Boleat, 2003b, p2). It often appears to be a ‘box ticking exercise’ with departments feeling they must formally consult so as to tick the box, but with the process not being a significant influence on the policy-making process (Boleat, 2003b, p2). This can result in poor policy making.

Business associations, therefore, are necessary for the efficient conduct of relations between government and industry which exist in even the most liberal states. In this context, Grant has argued that we must not “fall into the trap of exaggerating the gap between government and business” (Grant, 1993a, p. 11). There is a long established British tradition, reinforced by civil servant rules, of consulting with affected interests (see, for example, Jordan and Richardson, 1982, p. 87). Vogel’s comparative study of environmental protection in Britain and the United States suggests

that business is far more of an 'insider' in the British policy making process. In Britain, industry is an active and officially recognised participant in government decision making (see Vogel, 1986). Furthermore, it must be noted that government depends on business. The electorate judge the success of modern governments primarily in economic terms, and success here often depends on business co-operation (see Grant, 1993a, p. 2).

Direct contact with business has often seemed attractive in Britain due to the highly concentrated nature of the economy. As Grove puts it, "The largest firms are so large that they can deal with Government departments direct" (Grove, 1962, p. 157). This trend accelerated in the 1970's, a period seeing the formation of government relation divisions in many of the largest firms. From the mid 1970's, civil servants put greater emphasis on direct contact with firms (Mueller, 1985, p.105). Grant suggests that Britain displays many of the characteristics of a so-called 'company state' (see Grant, 1993a, p. 14).¹⁹ In a company state the key form of business-state contact is the direct one between company and government. Government prioritises such forms of contact and government relations divisions within large companies handle business/government relations. This contrasts with 'associative states' (such as Germany and Sweden) where business associations play a key role as intermediaries between business and the state; and 'party states' such as Italy where there is business-government mediation through a political party.

The development of a company state in Britain is relatively recent, dating from the mid-1970's, and has accelerated in recent years. It is a mistake, however, to assume that the associative model is 'doomed to extinction' (May, McHugh and Taylor, 1998, p. 272). Even large companies are able to pursue their interests through business

¹⁹ Japan, meanwhile, is unusual in that it combines elements of all three types of state (see Grant, 1993a, pp. 13-18)

associations in a way they could not do working by themselves. One of the 'top ten' firms stated that they received three main advantages from business interest associations.²⁰ Firstly, it is necessary to have an industry view on certain matters, such as international trade. Secondly, whilst firms could look after their interests with regards the British Government, this was not possible on a European level. Thirdly, there are many consultative bodies in Whitehall which deal with technical matters of relevance to companies. Companies could not sit on these as Company X but they could sit as Company X, representing Association Y. It must also be noted that most UK companies are not large and cannot, even if they wanted to, establish direct contacts with government. As Mitchell puts it, "Below a certain size firms will not have the impact on the community that makes them worthy of government attention and the firms themselves will not be independently capable of projecting a political presence at central government level" (1990, p. 629).

The importance of effective associations should not, therefore, be underestimated. Indeed, they could also help to promote competitiveness and productivity (a point that is developed in Chapter 8). This links to the idea of business associations implementing government policy, either in a form of corporatism or acting as 'private interest governments' (discussed in more detail in Chapters 2 and 9). Briefly, private interest government involves associations discharging tasks which would otherwise be undertaken by the state, thereby reducing the load of decision-making responsibilities which modern governments have to bear. The question, however, is not simply whether business associations have the organizational resources and control over their members necessary for them to function as private interest governments. It is also whether they can discharge their tasks allocated to them in a way compatible with public policy goals. For example, "are they able to deliver the compliance of their members to arrangements that may involve concessions by the members that conflict

²⁰ Interview by Wyn Grant

with their short-run interests, even if the outcome in the long run is a non zero-sum game in which all participants in the exchange improve on their initial position” (Grant, 1987, p. 1).

Methodology

Methodology used

Most of the primary research was undertaken in the Modern Records Centre at the University of Warwick. This is where the Devlin Commission and Advice Centre papers along with relevant CBI materials are held. The Devlin deposit includes the minutes and working papers of the Commission, along with evidence and correspondence from business associations, individuals and government departments. It also contains the records of the questionnaires sent out to trade associations and the records of the small firms’ survey of the CBI. The Advice Centre deposit includes information on the setting up of and work of the Centre. The archives provide a full and comprehensive account of the evidence submitted. They are rather less substantive in accounting for how the Commission reached their conclusions (the minutes of several of their meetings, for example, are missing).²¹ Whilst there is a helpful account on the setting up of the Advice Centre, there is limited information on its work (although, to be fair, its activities do not appear to have been substantial). The thesis also makes use of the relevant public records held in The National Archives at Kew.²² Whilst limited in scope, these provide an interesting insight into the thinking of government vis-à-vis the Commission.

²¹ Due to this, the interviews conducted (in particular with Macdonald) have proved useful (see below)

²² Until April 2003 the Public Records Office (PRO)

The use of archival sources is supplemented by semi-structured or 'elite interviewing'. Much has been written on exactly what constitutes an elite interview (see, for example, Rubin and Rubin, 1995, p. 113; Stedward, 1997, p. 152; Dexter, 1970, pp. 5-7). This writer, however, takes the approach of Grant and defines such an interview in terms of the *target group* under investigation, namely an 'elite' of some kind,²³ and the *research technique* used, most often what is also known as semi-structured interviewing (Grant, 2000b, p. 1).²⁴ For the purposes of this thesis, Alastair Macdonald (who was Secretary to the Devlin Commission) has been interviewed, as has Mark Boleat (an expert on trade associations), and Lord Heseltine with Alan Kemp.²⁵ The author has also been given access to a sensitive (and previously unused) interview with Tom Fraser, the Director of the Devlin Commission, carried out by Wyn Grant in February 1981.

Methodological evaluation

(1) Archival research

Documentary and archival sources offer "great opportunities for political scientists to develop novel accounts and interpretations of significant events" (Burnham et al, 2004, p. 184). Archival research suffers, however, from many methodological problems. These tend to be focused upon how they are used rather than their "use in the first

²³ The term 'elite', in itself, is difficult to define. See, for example, the work of Pareto, Mosca and Miesel among others. Arguably, the *targets* of elite interviews are decision makers of some kind *or* those who are a strong influence on the decision makers. Admittedly, this can get rather fuzzy at the edges: eg: are local councillors included?

²⁴ See May, T (1997) pp. 110-112 for a useful discussion on the differences between structured, unstructured and semi-structured interviews.

²⁵ For this interview the author was accompanied by Wyn Grant. Alan Kemp is a former MOD civil servant who moved into the private sector (working in business consulting and becoming Business Development Director of the Corporate Group in 1992). He was special adviser to Heseltine between 1991 and 1996, becoming full-time in 1995. He is now on the Board of Directors of Haymarket publishing where Heseltine is the Chairman.

place” (May, 1997, p. 176). The problem of potential bias appears to be the most significant. As May puts it:

History itself and our understanding of it can be informed by a selective reading of documents or those documents themselves may also be selective. Thus, what people decide to record, to leave in or take out, is itself informed by decisions which relate to the social, political and economic environment of which they are a part. History, like all social and natural sciences, is amenable to manipulation and selective influence (May, 1997, p. 176)

Similarly, Vickers argues that “archive documentation should be considered as raw data and therefore is subject to interpretation” (Vickers, 1997, p. 176). She adds that such data has a tendency to produce ‘top-down’ studies skewed by the thoughts of elites (Vickers, 1997, p. 176). Documents can also be too broad or too detailed, and little interaction is possible between the researcher and subject (although this problem can be resolved through the use of elite interviewing - see below).²⁶

Archival sources can be usefully assessed against the criteria set out by Scott regarding the quality of documents (Scott, 1990: Ch 6):

- *Authenticity*. This concerns its genuineness: “whether it is actually what it purports to be” (p. 19). This involves a consideration of ‘soundness’ (is the document an original or a copy or has it been corrupted in any way); and ‘authorship’ (can we authenticate the identity of those responsible for producing the document)
- *Credibility*. ‘How distorted its contents are likely to be’ (p. 22). In other words, how sincere and accurate was the author?

²⁶ The reader may, for example, come up with different interpretations to those intended by the author.

- *Representativeness*. As Scott puts it, documents consulted should be “representative of the totality of relevant documents” (p. 24). This requires consideration to be given to the survival and availability of relevant documents.
- *Meaning* Ie, in both a ‘*literal*’ and ‘*interpretative*’ sense.

Documents from both the Modern Records Centre and the National Archives can, on the whole, be seen as *authentic*. Potential bias, however, may undermine their *credibility*. CBI files may represent the views of CBI staff as opposed to industrialists, whilst National Archives documents may tend to reflect the views of civil servants as opposed to politicians. Documentary evidence may also provide an elitist or male view of events. There are two ‘complicating points of note’ regarding *representativeness* (Bryman, 2001, p. 375). Firstly, official state documents are, in some sense, unique and it is this official or quasi-official character which makes them interesting in their own right. Secondly, there is the issue as to whether the case itself is representative. However, it must be remembered that in qualitative research no case can be representative in a statistical sense. Burnham et al have further concerns (2004, p 187). The selection of public records will be carried out according to established and accountable procedures.²⁷ Other primary and secondary sources, however, may be collected, retained and archived on a relatively *ad hoc* basis. This can result in the survival of an unrepresentative selection of documents. In addition, it may also mean that the number of public records available outweighs those from other documentary sources. This can result in alleged ‘top-down’ bias . This can be corrected by seeking out other public and private archives as a counterweight to the National Archives (see

²⁷ Only about 5% of Government records are selected for permanent preservation in the National Archives. Their selection criteria are, however, ‘rigorous’ and their website goes into this in some detail. As Burnham et al put it: “It is commonly assumed by those new to archival analysis that the most important and controversial records of government will have been destroyed or retained (*in departments*). In general terms this is not the case. Records made available for inspection cover confidential, secret and top (or most) secret files (Burnham et al, 2004, p. 178).

Lowe, 1997, p. 245).²⁸ This strategy can be combined with interviews²⁹ to tackle the related problem of meaning in its literal and interpretative sense (Burnham et al, 2004, p. 187).

There should be little difficulty in Political Science of establishing the literal *meaning* of documents (as compared to, say, a mediaeval historian). All users of documents, however, face problems of interpretation. This involves “interpretative understanding of individual concepts, appreciation of the social and cultural context through which the various concepts are related in a particular discourse, and a judgement of the meaning and significance of the text as a whole” (Scott, 1990, p. 31). The researcher, therefore, needs to discover as much as possible regarding the conditions under which the text was produced and, thereby, make sense of the author’s situation and intentions (Burnham et al, 2004, p. 188). This requires the researcher to carry out an extensive biographical investigation of key individuals and a willingness to become immersed in the social, political and economic context under study (through, for example, an analysis of news and media). Such points have been taken on board. The Modern Records Centre archives, for example, contain newspaper and press cuttings on Devlin, and these have proved most useful. Wilkinson (1994, p. 50) argues that newspapers are unique in being time-specific and not having an eye on posterity. A ‘content-analysis’ can, therefore, reveal much about the period under study (Burnham et al, 2004, p. 172). On the other hand, “the reliability and accuracy of newspaper material cannot be presumed and a full analysis of this source requires study on the role of editors and journalists, patterns of ownership and processes of production” (Burnham et al, 2004, p. 172).

²⁸ This thesis relies mainly on Modern Records Centre papers, hence ‘top down bias’ should not occur.

²⁹ As used, for example, in this thesis

The practical difficulties associated with archival research need to be noted. Locating documents in the National Archives, in particular, can be time consuming. Documentary sources may also turn out to be of little value (running the risk of substantial time-wasting!). It is also important to bear in mind the points made by Vickers regarding her research:

One problem I found was that often the files that I had assumed would be particularly relevant were not so, whereas others I just happened to look at on the off-chance were very valuable. This would suggest that there were other files I did not look at which may have contained useful information (Vickers, 1997, p. 172)

One should also consider access restrictions. The Devlin and Advice Centre Papers remain closed for 30 years (with the exception of printed materials). Earlier access was, however, granted on the undertaking that names would not be revealed and figures were not presented in aggregated form. The CBI archive, meanwhile, is subject to a general 10-year closure rule, with a 30-year closure rule on the papers of Presidents, Director General and Deputy Directors.³⁰ Again, the author was given permission for earlier access as appropriate. Up until 2005, most records at the National Archives also become available to the public when they were 30 years old (commonly known as the thirty year rule). Records were opened in the January 30 years after the date of the last paper or entry in a record, plus 1 extra year, thus ensuring that all papers on the file were of the required age^{31 32} However, the Freedom of Information Act

³⁰ Researchers must also agree to submit their work to the CBI before publication

³¹ So, for example, records with a last date of 1971 were released into the public domain on 1st January 2002 (a process known as the 'New Year's Openings'). Burnham, for example, has argued that in reality it was a 31 year rule (see, for example, Burnham et al, 2004, p. 174).

³² However, some documents were released earlier, closed for longer, or retained in departments. Such courses of action required the approval of the Lord Chancellor who acted in accordance with the criteria set out in the 1993 Open Government White Paper. Keeping records closed for

which was passed in November 2000 and came fully into effect on 1 January 2005, overrode such provisions. The Act applies both to information held at the National Archives, and by the originating government department. Information is assumed to be 'open' right from the start unless one of the exceptions set out in the Act applies. There are two main types of exception. A qualified exemption is where the public interest in withholding the information is greater than the public interest in releasing it. An absolute exemption is information that falls into this category can be withheld without even considering 'public interest' arguments (certain defence and national security matters, for example, fall inside this category). To mark the full implementation of the Act, over 50,000 files *under 30 years old* were released at the National Archives.

(2) elite interviewing

Methodological problems again exist (although it should be noted that interviews are only being used to 'supplement' the main archival sources). There are, firstly, practical problems of cost, time, and access.³³ The main problem in gaining access to an elite group is that such individuals are often very busy and need to be given a convincing reason for seeing a researcher (Grant, 2000b, p. 4).

longer than 30 years was known as 'extended closure'. There were various reasons for this (eg: they may have contained distressing personal information; they could have harmed national security; or they may have been supplied subject to confidential undertakings). The release of other information may have been barred under legislation which overrode the Public Records Acts. Typical extended closure periods were 50 years, 75 years and 100 years (census returns, for example, were kept closed for 100 years). Some records, meanwhile, were retained by Government departments (generally due to a continuing administrative need to consult the record). Some records, however, were available immediately (eg annual reports or published material) or opened earlier than 30 years (so-called 'accelerated opening'). Departments also had discretion to allow access to records that were closed if certain undertakings not to divulge information were given.

³³ Grant argues that if you add up the time involved in setting up an interview; travelling to and from it; the actual interview itself; preparing and analysing the transcript; then twelve hours per interview is not unrealistic (Grant, 2000b, p. 4).

Secondly, there are problems involved in conducting such interviews. As Etheridge writes, “the interviewing process is subject to the problems of ‘reactivity’”. In other words, the respondent will react to the interviewer in a way that distorts the answers (Etheridge, 1990, p. 194). It could also be difficult to build trust with elites assuming interviewers to be like journalists; they are there to be manipulated or used but never trusted (Rubin and Rubin, 1995, p.113). They may also limit the length of the interview, as they do not have time to spend on long discussions. As Rubin and Rubin put it, “short interviews make it difficult to build trust slowly”. (Rubin and Rubin, 1995, p. 113). Elites (especially politicians) may also be trained in question avoidance and it could prove difficult (with their possible notions of ‘self-importance’) to move them onto relevant ground should they move off the point. They may also be unwilling or unable (due to the Official Secrets Act, for example) to reveal certain information. Their recollection of events may also be at fault, or their interpretation could be different to someone else’s.

Finally, there are potential difficulties when analysing or interpreting the results. The data needs to be coded to pick out themes, with judgements being made about the data in light of the theoretical framework (Grant, 2000b, p. 15). There are simple coding frames (for example, numbering topics or themes from one to ten) but also more sophisticated ones in the form of computer programmes (such as Nudist and Qualidata) which can analyse qualitative data. The latter can be useful when engaged in content analysis; although when concerned with the interpretation of meaning as constructed by respondents, this type of approach could be too mechanistic (Grant, 2000b, p. 15). Of course, coding *in itself* causes problems. It involves researchers imposing their own order on the data. Differences in the precise answers given are glossed over as answers are placed together in a single category. Therefore the differences that do exist between answers can be obscured.

Despite these methodological difficulties, elite interviewing offers many advantages.. Elites should be knowledgeable, informative and articulate. As Etheridge puts it, in the hands of a skilled researcher this research method can produce very detailed information, not least because the interviewer can ask follow up questions to clarify ambiguous responses, probe in new directions and elicit information from reluctant subjects (Etheridge, 1990, p. 193).³⁴ Indeed, elite interviews are often the best way to obtain information about decision-makers and the decision-making process (Burnham et al, 2004, p. 205). As Stedward puts it:

Political scientists appear to have a rather limited repertoire of research methods compared, for example, to the range of methods employed by sociological research or social research more generally. Without doubt the favoured method in political science is the interview (Stedward, 1997, p. 151)

More generally, “elite interviewing can be used whenever it is appropriate to treat a respondent as an expert about the topic in hand” (Leech, 2002, p. 663). A large number of political decisions are taken by small groups of highly qualified and knowledgeable individuals (Burnham et al, 2004, p. 219). Moreover, in the words of Grant:

If one is interested in actors’ perceptions of the world in which they live, the way in which they construct their world and the shared assumptions which shape it, there is much to be said for the model of the elite interview as an extended conversation (Grant, 2000b, p. 16)

In other words, many ‘under-ventilated’ policy communities remain in existence (Hecl and Wildavsky, 1974, p. xx), and “the shared assumptions and meanings which inform

³⁴ Certainly, the skill and qualities of a researcher will be a factor in determining the usefulness of an interview. Burnham et al offer a useful guide in how to conduct elite interviews (2004, pp. 205-220)

these private worlds still require exploration, and elite interviewing remains the most appropriate technique” (Burnham et al, 2004, p. 219).

(3) Can Qualitative research be good Social Science’?

The problems of a given research technique can be tackled, to some extent, through ‘triangulation’. In other words, “using more than one method or source of data in the study of social phenomena”. Hertz and Imber have argued, for example, that “the best research on elites has utilised a combination of methodological approaches to deepen the research findings” (Hertz and Imber, 1995, p. ix). This thesis, as noted above, uses elite interviewing as a supplementary technique to back up the use of archives.

However, the methodology remains qualitative and to the quantitative school a divide will remain. Critics, after all, view qualitative research “as being unrepresentative and atypical. Its findings are impressionistic, piecemeal and even idiosyncratic”. (Devine, 1995, p. 141). Can qualitative research, therefore, be good social science? The arguments outlined above regarding elite interviews and archives should start to produce an answer in the affirmative. Moreover, there are problems with *all* research methods, *Qualitative or Quantitative*. Indeed, as Devine points out, “while quantitative research is usually reliable, qualitative research tends to be valid³⁵” (Devine, 1995, p. 146). With historical research, methods are also, to some extent, predetermined: it is inevitable that the main source of information will be archival. An awareness of the potential methodological pitfalls should also help prevent major problems arising. As Burnham et al put it: “There is no one correct method, even for a particular type of research. However, there are correct ways of using methods so that the results they produce can be relied upon, at least within the terms of their own limitations” (Burnham

³⁵ Data is reliable if the same investigative methods on the same material produced the same results. Data is valid if it gives a true picture of what is under investigation. Data can be one but not the other. For example, church attendance statistics may be reliable but fail to give a true picture of the level of religious commitment.

et al, 2004, p. 3). Furthermore, qualitative research need not result in *ad hoc* historical descriptive narrative or lack academic rigour. This is a point which will be returned to when the hypothesis are outlined at the end of Chapter 3.

Structure

The thesis consists of nine chapters. Chapters 2 and 3 supplement the introduction and provide context. Chapter 2 outlines and assesses the relevant theoretical perspectives: pluralism, corporatism and business as a privileged interest. Links between the perspectives are emphasised, as are their links to association reform. Chapter 3 looks at some of the key literature on the Devlin Commission, the influence of the state on business representation and, more generally, the obstacles to reform and how it can be driven through. The Chapter concludes by outlining the three hypotheses which the thesis seeks to test: namely, is there some form of 'structural inertia, is government necessary to push through change, or was the Devlin process mismanaged?

Chapters 4 - 7, meanwhile, focus in detail on the Devlin Inquiry. Chapter 4 (following a brief history of business representation in Britain and previous studies on reform) looks at the institutional modernisation discourse of the period, why the Devlin Commission was set up, its terms of reference, its membership and the approach taken (in terms of methodology, evidence collected, and the different phases of the Commission's work). Chapter 5 focuses in detail at the evidence given by the CBI, trade associations, chambers of commerce, individuals' and government departments. It also analyses the minutes and working papers of the Commission and, where relevant, internal CBI correspondence and records from the National Archives. Chapter 6 looks at the Report itself, its recommendations, and the arguments put forward to justify its conclusions. Chapter 7 focuses on the reception the Report received (both in the Press and among business groups) and the Report's implementation or lack of it (for example,

the Advice Centre). It also provides a brief outline of business representation reform between 1974 and 1992.

Chapter 8 moves onto the Heseltine initiatives of the early to mid 1990's. This provides a further useful insight and helps bring the thesis up-to-date. The Heseltine agenda is carefully assessed and compared not only to the work of Devlin but also his immediate Conservative predecessors. The Chapter also looks at the extent to which business associations could promote competitiveness and productivity (in the process bringing out some of the comparisons with Germany). Chapter 9 brings together the main themes of the research and, in the context of the three hypothesis' discussed in Chapter 3, outlines some conclusions. The debate is also linked back to the theoretical perspectives and the notion of a government/business partnership is explored, alongside the challenges and opportunities offered by globalisation and 'governance'. Finally, the Chapter looks at recent developments such as the Trade Association Forum (TAF), the Labour Government, devolution, Europe and the internet.

CHAPTER 2:

Theoretical Perspectives: Pluralism, Corporatism and Business as a Privileged Interest

This chapter outlines and assesses the relevant theoretical perspectives: pluralism, corporatism and business as a privileged interest. The links between the theories are explained, as are their connections to association reform. The work of Olson (eg: the 'by-product theory' and the 'dangers' of interest groups) and Marquand (eg: the 'developmental state') is incorporated into the discussion. It should be noted that limiting the discussion to three main perspectives does combine a number of approaches. However, whilst the approaches seem to be divergent both between and within themselves, there are clear elements of convergence.

Pluralism

It is useful to put pluralism in a historical context. Connolly traces the intellectual roots of pluralist theory back to Aristotle, Madison and de Toqueville (Connolly, 1969, p. 4). The two major figures from the modern literature, however, are Truman (1951) and Dahl (e.g. 1961, 1967). Although often presented as "the dominant political science creed" there is a lack of a "systematic, sympathetic and authoritative account of pluralist features" (Jordan and Richardson, 1987, p. 44). It remains, therefore, to some extent ill-defined.

Held writes: "the essence of the classic pluralist position stems from investigations into the distribution of power in Western Democracies" (Held, 1996, p.

202). Pluralists have generally seen power as the capacity to achieve one's goals in the face of opposition (see, for example, Dahl, 1956, p. 13). More specifically, in the words of Jordan and Richardson (1987, p. 46):

It (pluralism) seems to hold that policy is best made through a competition of viewpoints; that valid representation of the public is made through the leadership of interest groups; that the groups influential in one area will not necessarily be powerful elsewhere: that decisions are not all made centrally, but at different levels; that participants show a willingness to bargain and to compromise

Pluralists believe that power in society is fragmented and dispersed; Jordan, for example, refers to a "system of dispersed inequalities" (Jordan, 1990, p. 288). Furthermore, those who are powerful in one arena are not necessarily powerful in another: in other words, power is non-cumulative. Held writes of the pluralist account:

Power is non-hierarchically and competitively arranged. It is an inextricable part of an 'endless process of bargaining' between numerous groups representing different interest, including, for example, business organisations, trade unions, political parties, ethnic groups, students, prison officers, women's collectives and religious groups (Held, 1996, p. 202).

In pluralist theory, the dispersal of power is assisted by the large number of groups in society, and by a rough balancing equilibrium which operates through countervailing groups. Truman (1951), for example, points out that if a particular interest is neglected a 'potential' group will be mobilised to represent it. One of pluralism's main characteristics is the emphasis it puts upon the role of pressure groups in society as a way in which access is provided to the political system, and "as a

counterweight to undue concentrations of power” (Grant, 2000a, p. 42). Furthermore, “The pluralist case...rests on the argument that the essential thing is competition and participation among organised *groups*, not among individuals”.(Presthus, 1964, p. 19). Pluralist theory also offers both normative and analytical elements: its theorists seeming to provide an account both of how society *is* organised and how it *ought* to be organised.

Truman in *The Governmental Process* (1951) outlines the conventional pluralist position on business. He argues that “inequalities in the opportunities open to groups, of course, depend in large part on the structure and values of a given society” (Truman, 1951, p. 248). Truman’s view is that society rewards the highest status to the groups whose achievements are particularly valued. He does not deny that business is a privileged interest stating, writing that “in the American system ‘business’ groups have long enjoyed the advantages of superior status, along with other attributes of power” (Truman, 1951, p. 260). He argues, however, that American business has earned this privileged position through bringing about economic prosperity. Moreover, this ‘privilege’ does not mean that in the United States and similar societies ‘business’ groups always enjoy a controlling advantage as interest groups” (Truman, 1951, p. 253). Business groups, Truman argues, find it difficult to maintain internal cohesion and therefore engage in unified action. Furthermore, “economic power can be converted into political power only at a discount, variable in size” (Truman, 1951, p. 258). Truman argues that although “business groups in the United States currently enjoy special advantages in the use of propaganda and in other political efforts, it does not follow that they are or must be dominant or exclusive or unchanging” (Truman, 1951, p. 259).

Grant and Marsh, moreover, found that the notion of a ‘potential’ group had some practical relevance. In their research on the CBI, they discovered that its members

thought that a practical reason for its existence was the need for a counterweight to the TUC (Grant and Marsh, 1977, p. 49). Smith, however (1993, p. 27), has provided some criticisms:

It seems likely that potential groups are those that have great difficulty organizing, such as consumers or the elderly, who do not meet collectively, lack resources, often have conflicting interests and lack economic power. However much their interests are threatened, they are unlikely to become actual groups. Indeed the concept of a potential group is questionable. How can a potential group exist when the concept group involves some form of collective identity? A group can only exist once it is formed.

It must be emphasised that many power distributions and policy outcomes are possible within a pluralist model. As Williamson puts it, “the pluralist argument is that *influence is widely, not equally, dispersed*” (Williamson, 1989, p. 53). Pluralist theory is, therefore, often caricatured by its critics. Polsby (1979) and Dahl (1982), for example, have rebutted the claims that all pluralists believe in open access and equal resources. Dahl notes:

I have been puzzled by the assertions sometimes made by critics of ‘pluralist’ theory that such a theory contends, or assumes, that all interest groups and so on are equal or substantially equal in organisation capacities and access, or sources, or power, or influence, or the like (Jordan and Richardson, 1987, p. 60).

Smith backs up the Dahl line of defence, arguing that despite the accusations of critics, pluralists do not view all pressure groups as having equal access to the policy process: “Pluralists accept that relationships between interest groups and government agencies

can become very exclusive...Pluralists do not expect a free flow of groups and ideas into the policy arena, nor do they regard all groups as having equal access and power” (Smith, 1990, p. 203).

A Critique of Pluralism

Jordan argues that “since pluralism is so vague a set of ideas it is difficult to understand how opponents can have rejected it with such confidence” (1990, p. 286). However, “the very elasticity of pluralism that makes it attractive to so many is also a central weakness” (Grant, 1993a, p. 22). It is difficult, therefore, to use pluralism as an analytical perspective to analyse the power of business due to the wide variety of pluralist interpretations which can be employed (Grant, 1993a, p. 23). Lively, for example, distinguishes between ‘arena’ and ‘arbiter’ pluralist perspectives. The arena theory assumes “that the given distribution of power is generally acceptable” (Lively, 1978, p. 200). The arbiter theory, however, could be said to imply a more interventionist state which determines “what groups are legitimate, how they may legitimately act, and what is a proper balance between their powers” (ibid, p. 192). In Lively’s words:

The arbiter theory envisages government as standing above the group battle, settling the group rules for the conflict (particularly those determining which groups and what modes of action are legitimate), ensuring the enforcement of those rules, and perhaps correcting imbalances if there is a danger of particular groups growing into overmighty subjects. The arena theory, in contrast, sees politicians merely as co-equal participants in the group battle.(Lively, 1978, p. 191)

A further criticism is that there are two levels of power in society, but pluralism only tells us about the lower level. The upper level consists of the core assumptions of society (such as private property) which usually go unquestioned. These core assumptions set the terms of reference for conflicts and outcomes at the lower level where “the picture will look something like the polygon of forces found by pluralist analysis” (Westergaard and Resler, 1976, p. 248). If the core assumptions of society are to be challenged, however, perhaps this should be done through the party system where the electorate can be offered a radical alternative to the status quo. Within government itself the battle for resources between government departments does, in some way, resemble a competition between particular institutionalised interests (Grant, 2000a, p.48).

The Olson Critique

Pluralism rests on the assumption that access to the political system is fairly easy, and that forming a group which will be listened to is not particularly difficult (Grant, 2000a, p. 43). Olson, however, in *The Logic of Collective Action* (1965), casts doubt on such pluralist assumptions in “an apparently devastating critique” (Dunleavy, 1988, p.23). Olson noted what he saw as a logical flaw in the pluralist treatment of economic interest groups. The pluralist assumption is that individuals in a large group will make sacrifices in order to satisfy the political objectives of the group. Olson, however, suggests that the individual member of a large organisation is in a position where:

His own efforts will not have a noticeable effect on the situation of the organisation, and he can enjoy any improvements brought about by others whether or not he has worked in support of the organisation (1965, p. 16).

There is a temptation, therefore, to free-ride on public goods. Olson considered smaller groups, which he terms privileged or intermediate groups, to be easier to organise. In other words, it is easier for smaller groups representing particular interests to form and succeed. In a privileged group, all members may be prepared to contribute to the collective good as they all benefit to a significant extent, and the withdrawal of any member will make the collective good harder to provide. Classical pluralists believed that the groups that succeeded represented the largest and/or most intense interests. Olson demonstrated, however, that this was not the case, and that each lobby had to overcome its own free-rider problem. The fewer the potential members of the group, and/or the greater benefit per member from the desired policy, the fewer the free-riders. Smaller groups will, therefore, be the most effective lobbies.

Olson asks: "If the individuals in a large group have no incentive to organise a lobby to obtain a collective benefit, how can the fact that some large groups are organised be explained?" (Olson, 1965, p. 132). Olson accounts for the existence of such groups through a 'by-product' theory of pressure groups. People did not join because of the group's collective goals but because of the selective incentives available to members. Dowding, however, is sceptical about this, arguing that "selective incentives cannot be the primary incentive for members of an organisation primarily devoted to lobbying" (Dowding, 1994, p. 542). This is supported by the work undertaken by the Aberdeen group. 86.2 % of existing members of Friends of the Earth claimed they would rejoin if direct membership services were reduced, whilst only 31.5% would remain if core campaigning was reduced (Jordan, 1994, p. 45). In addition, as Grant points out, in many cases the cost of joining a group is so small relative to an individual's income or a firm's turnover that any decision to join will fall below the rationality threshold. In other words, deciding whether to join could take up more resources in terms of opportunity cost than the actual cost of joining (Grant, 2000a, p. 45). As Grant puts it elsewhere:

For some smaller firms, the principle attraction is the selective incentives which are provided in the form of services. For larger firms, the cost of subscription is such a small proportion of turnover that it is hardly worth the decision costs of considering whether renewal is worthwhile. Costs rise if a firm sends its senior executives to participate in an association's committees, but then so do the benefits (Grant, 1993a, p. 110)

We can distinguish between membership and participation. As Moe puts it: "An individual may, for instance, derive a sense of satisfaction from the very act of contributing, when he sees this as an act of support for goals in which he believes" (1980, p. 188). Participation will, of course, involve much higher costs as regards time spent by an individual or employee attending meetings in the firm's time, but it also brings greater benefits: "the solidaristic benefits of participation, and privileged access to a shared exchange of information. The former is generally of greater importance to cause groups, the latter in sectional groups" (Grant, 2000a, p. 45).

In a sense, however, Olson's theory should only be applied to economic interest groups, as these were the organisations he was concerned with. If this is the case, Olson is "no longer the missile aimed at the heart of pluralism" (Jordan, 1994, p. 25). He does, however, account for the special advantages that business enjoys. According to Olson, the business community is by far the most organised sector. Smith summarises Olson: "Where businesses do have to join together, the benefits of their actions are often enjoyed by a small number of firms, and so the incentives to organise are high" (Smith, 1993, p. 27). Olson, therefore, provides a formal model of business privilege (other such theories are discussed below).

Pluralism has been criticised not only for providing an inadequate account of the political process but also on the grounds that its encouragement of pluralist decision-making has pathological consequences for the political system as a whole” (Grant, 1993a, p. 26). Olson, for example, also provided an account of the danger of special interest groups in the seminal *The Rise and Decline of Nations* (1982) ¹ Here he argues that organisations for collective action take “a good deal of time to emerge” (1982, p. 39). They usually emerge only in favourable circumstances and gather strength over time (1982, p.40). The more time that passes, “the larger the number of those groups that are in situations in which collective action is a possibility will have enjoyed the favourable circumstances and innovative political leadership that they need to organize, and the greater the likelihood that the organizations that have been created will have achieved their potential” (1982, p.40). In addition, organisations will often survive even if the collective good they once provided is no longer needed. As Max Weber pointed out, the leader making a living out of an organisation may keep it alive even after its original purpose has disappeared: an organization set up to help the veterans of one war, for example, will outlive these veterans by representing victims of subsequent wars. Selective incentives make indefinite survival feasible. Associations usually survive until there is a social upheaval or another form of violence or instability (Olson, 1982, p. 40).

Stable societies with unchanged boundaries will, therefore, accumulate more special interest organisations over time. ² This reduces efficiency and aggregate income, and the ability of society to reallocate resources and adapt new technology in response to changing conditions. Special interests are “harmful to economic growth, full employment, coherent government, equal opportunity and social mobility” (Olson,

¹ This book is the outgrowth of the *The Logic of Collective Action* (1965) and in large part an application of the argument in it. The two books are, therefore, consistent with each other.

² Unless, Olson adds, there are constitutional and legal constraints on collective action, or on the changes in public policies lobbying is permitted to bring about, and this leaves little scope for such organisations (Olson, 1982, p. 40).

1982, p. 237). Politics such as Britain, the USA, Australia and India, therefore, were growing slowly, whereas those such as Japan or Germany (where special interests had been destroyed by war and conquest), the US south and west, or the newly industrialising countries of Asia were growing rapidly. Britain had a particularly powerful network of special interest organisations, such as trade unions “and a great many trade associations” and Olson links this to our poor growth record: “British society has acquired so many strong organisations and collusions that it suffers from an institutional sclerosis that slows its adaptation to changing circumstances and technologies” (Olson, 1982, p. 78).

Olson points out that it is not rational for a common-interest organisation to pursue the interests which its members share with the rest of society. This is because it would bear the cost of pursuing them, but receive only a small part of the benefit. Therefore, the interests it pursues must be exclusive to its own members (or at least to the population from which it hopes to recruit members). Common-interest organisations exist to provide their members with goods which others cannot share, so as to distort the market in their member’s favours. Olson accepts that a broadly based ‘encompassing’ organisation has an incentive to take account of the consequences of its actions on society *as a whole*.³ In other words, an encompassing organisation will lose out significantly from policies that make the wider society less productive than it otherwise would be, and gain significantly from policies which would make it more productive. Therefore, it *can* rationally pursue the interests its members share with wider society. Where such common-interest organisations exist, therefore, growth may still be rapid.⁴

³ Interest groups can be ‘encompassing’ either in terms of the population as a whole, or in terms of a particular firm or industry (see Olson, 1982, pp. 47-49).

⁴ So, for example, Sweden has had a much higher rate of growth than Britain, despite having enjoyed an even longer period of peace and stability (see Olson, 1982, pp. 89-92).

Smaller groups are seen by Olson as the legacy of early industrialization, whereas interest groups formed later tend to be larger. In addition, small and relatively homogeneous societies are more likely to have organizations that are encompassing in contrast to large and diverse societies (see 1982, p, 91). It may seem that the gains from encompassing - as compared with narrow special interest - organizations would ensure that such organizations emerged in every society. This, however, is not the case. The leaders of a special-interest organization will not get any of the gains that might result from any mergers that could create a more encompassing organization by 'selling' their organization. Indeed, a merger would be likely to result in the elimination or demotion of some of the relevant leaders. As he concludes: "There is, accordingly, no inexorable tendency for encompassing organizations to replace narrow ones" (Olson, 1982, p. 91).

Olson, indeed, provides a theory of 'structural inertia' which could account for our large number of business associations, their continued existence after their original purpose has disappeared, and the difficulty of achieving mergers. Short of a war or similar catastrophe such a situation is *usually* inevitable⁵ Change, therefore, is difficult to drive though. There is much in Olson's analysis. Britain's pattern of sectoral and local associations is the product of a long drawn-out historical development. Many associations, for example, were founded during the Second World War, often at the command of government. These associations survived despite their original wartime function disappearing (see, Grant, 1991). A great deal of inertia is built into the system and "associations often continue in existence long after they have outlined their original function and, often, it seems, without acquiring any new one" (Grant, 1993a, p. 105).

From Olson's perspective it should be noted that interest groups such as business

⁵ The logic of Olson's position, however, is that government could *slow* the rate of growth of organizations by constitutional and legal constraints on collective action, or by limits on policy change that lobbying can bring about, or (as it Switzerland) making it difficult to pass legislation. This is because there would be little scope for such associations (see p. 40 and pp. 87/9). As with Olson's proposed reforms, however, this would result in less powerful associations as opposed to a more effective system of business representation.

associations are *too powerful* and rather than doing more should be doing less. Or, to put it another way, his concern is over-powerful and potentially anti-competitive interest groups, as opposed to an ineffective system of business association. He, therefore, advocates different solutions to a different problem. In this context, one possible 'neo-liberal' remedy he suggests is the repeal of "all special-interest legislation or regulation and at the same time (the application of) rigorous anti-trust laws to every type of cartel or collusion that uses its power to obtain prices or wages above competitive levels" (Olson, 1982, p. 236). It should be noted that neo-liberals differ from pluralists in that they consider organised interests as a sign of democratic pathology rather than health (Margaret Thatcher, for example, would condemn the influence of 'vested interests').

Policy Communities and Networks

In the context of this discussion on pluralism, it is helpful to consider the recent literature on policy communities/policy networks. In Dowding's words, "policy network analysis has become the dominant paradigm for the study of the policy-making process in British political science" (Dowding, 1995, p. 136). Richardson and Jordan (1979) emphasized how policy-making in Britain was disaggregated into a number of sub-systems giving pressure groups considerable opportunity to influence policies of concern to them. So, for example, the President of the NFU has a considerable influence on agricultural policy, but has no interest in, say, health policy. The policy-making map was made up of a series of distinct vertical departments or policy 'chimneys', usually organized around a government department and its client groups, and, in the main, closed off to the general public. In recent literature, however, the term 'policy network' has largely replaced that of 'policy community'. One reason for this is that relatively few networks have the internal stability and insulation from other networks typical of policy communities. Richardson's work, for example, reveals a shift in emphasis from a

policy-making world of tightly knit policy communities to a more loosely organised and less predictable policy process.⁶

In its original form, the idea of a policy community was a useful adaptation of the pluralist notion of distinct areas to the particular circumstances of British government. It could be characterised as 'the plurality model' in which disaggregation and plurality were seen as 'synonymous with pluralism' (Daugbjerg and Marsh, 1998, p. 58). The division of the policy-making map into 'vertical compartments and segments' is, in other words, consistent with the earlier pluralist notion that policy-making is carried out in a series of largely insulated issue arenas, with actors influential in one area usually being unable to exert such influence in other issue areas. More recent literature, however, leads to the conclusion that "there is not much here which would naturally relate policy networks and pluralism, unless we accept a very weak notion of pluralism'. Indeed, empirical studies arguably provide more support "for a statist interpretation of the distribution of power" (Marsh, 1998, p. 189).

Corporatism

The Corporatist idea has a long history. Guilds or corporations, for example, were a key aspect of mediaeval life and the academic reflection of the potential prescriptive value of corporatist arrangements began towards the end of the nineteenth century.⁷

Following the First World War the term was taken up by the 'radical' right, for example Mussolini who placed it at the centre of his Italian fascist regime. Corporatism therefore became regarded as synonymous with fascism.⁸ There was, however, an alternative

⁶ See also the work of Rhodes (1986), Rhodes (1988), Rhodes and Marsh (1992) and Daugbjerg (1998)

⁷ From Grant's entry on 'corporatism' in the 'The Oxford Dictionary of Politics', (Ed) Ian Mclean.

⁸ For example, the index entry for corporatism in Shonfield's book *Modern Capitalism* reads 'see also Fascism'.

liberal variant of corporatism (Samuel Beer, for example, made use of the term in *Modern British Politics* (1965)), and it was the objective of the new generation of corporatist scholars, led by Philippe Schmitter, to strip it of its fascist connotations.⁹

Schmitter's influential essay *Still the Century of Corporatism* (1974, republished in Schmitter and Lehmbruch, 1979) would trigger a 'growth industry' on the topic and was the first serious attempt at a considered model of corporatism (Williamson, 1989, p. 4). Rather than viewing it as a form of policy making, as had occurred previously, Schmitter focused more on the organisation itself as opposed to what the organisation did (Williamson, 1989, p. 10). His central purpose was to *replace* the pluralist model. Corporatism was put up "as an explicit alternative to the paradigm of interest politics which has until now completely dominated the discipline of North American political science: pluralism" (1979, p. 14).

Pluralist explanations had arguably assumed too passive a role for the state. In particular, they had emphasised the ways 'lobbies' have sought to exert influence on different parts of government, but to the neglect of the influence government can exert on supposedly autonomous interests. In other words, as Middlemas has argued, they could not capture the process whereby "what had been merely interest groups crossed the political threshold and became part of the extended state" (Middlemas, 1979, p. 373). The corporatist debate, however, suffers from many flaws of its own. The first of these is that the term 'corporatism' creates similar definitional problems to pluralism.¹⁰ As Williamson puts it, "the cumulative picture presented over the years is one of a rather elastic concept with a somewhat uncertain central core" (Williamson, 1989, p. 5). Ross Martin, meanwhile, noted that writers on British politics in the 1950's and 1960's

⁹ Grant's entry in 'The Oxford Dictionary of Politics'.

¹⁰ Some may argue that terms such as pluralism and corporatism are what Gallie (1956) referred to as 'Essentially Contested Concepts'. In other words, disputes about meanings and applications will be endless with no possibility of agreement being reached between the different approaches.

such as Andrew Shonfield, Harry Eckstein and Samuel Beer used the term “loosely, without troubling to define it closely, and without claims for its heuristic capacity” (1983, p. 86). Some analysts have insisted, for example, that corporatist arrangements had to be tripartite, involving the state, organised employers, and organised labour; whilst others have said they could be bipartite between the state and one other ‘social partner’, or between the ‘social partners’ themselves¹¹. Jordan and Richardson have argued “that the clearer the definition of corporatism the less contact it has in empirical practice” (1987, p. 96). To this author, however, clear definitions of such terms are essential even if they do not reflect reality. In other words, we should accept them as Cawson would (see below) as ‘ideal-types’ whose function is to highlight certain factors to aid explanation, as opposed to providing a complete description of reality in all its complexity.

The essence of corporatism can be captured in terms of: intervention, intermediation and incorporation (Grant, 1993a, p. 28). Cawson, for example, distinguishes corporatism as a mode of state intervention in which “the state is neither directive not coupled to an autonomous private sphere, but is intermeshed in a complex way which undermines the traditional distinction between public and private” (Cawson, 1982, p. 66). Incorporation, meanwhile, refers to the notion of interest groups in corporatist arrangements being drawn necessarily closer to the state. In other words, the price of partnership is a loss of some autonomy (Grant, 1993a, p. 28). As Cox, Lowe and Winter have argued, however, “the concept of corporatism is most usefully used in a restricted sense to refer to a distinctive style of interest intermediation” (Cox, Lowe and Winter, 1990, p. 191).

Grant, for example, uses the term corporatism to “refer to a process of interest intermediation which involves the negotiation of policy between state agencies and

¹¹ Oxford Concise Dictionary of Politics, 2nd edition, 2003.

interest organisations arising from the division of labour in society, where the policy agreements are implemented through the collaboration of the interest organisations and their willingness and ability to secure the compliance of their members” (Grant, 1985, pp. 3/ 4). He goes on:

The elements of negotiation and implementation are both essential to my understanding of corporatism. The arbitrary imposition of state policies through interest organisations, without any prior organisations, does not constitute liberal corporatism as I understand it; equally the negotiation of understandings with no obligation on the part of interest organisations to secure the compliance of their members, does not constitute a corporatist arrangement as I interpret the term.

The Relationship with Pluralism

It is vital that the relationship between corporatism and pluralism is clearly understood. One obvious disparity is that “pluralists take a relatively benign and generally non-interventionist view of business power (*whilst*) corporatists consider that business can be harnessed to the pursuit of public policy objectives through collaboration with the state” (Grant, 1993a, p. 39). Schmitter argues, meanwhile, that “pluralism and corporatism share a number of basic assumptions” (1979, p. 15). He has been attacked, however, for providing both a model too rigid and restricted *and* as providing one which has been revised so much as to be difficult to distinguish from pluralism (see Williamson, 1985, p. 145).

Some writers have seen corporatism as simply a variety or subtype of pluralism (see, for example, Almond, 1983). With a somewhat difference emphasis, however, Cawson (1986, p. 148) argues that pluralism and corporatism are ideal types and that

“political theory should recognise the coexistence of pluralist and corporatist processes, and engage the task of specifying the relationship between the two concepts”. Grant has argued, however, that some writers confuse corporatism “with a variety of pluralism which involves intensive consultation with interest groups, but does not involve the sharing of state authority with them” (Grant, 1985, p. 3). He accepts that there are boundaries in making a distinction between pluralism and corporatism but that the “difficulty of distinguishing between an intensive consultative relationship and one that involves designated organisations in the implementation of policy” can be overcome by either Crouch’s distinction between contestation, pluralist bargaining and bargained corporatism (see Crouch 1983); or Atkinson and Coleman’s development of the concept of ‘sponsored pluralism’ which is distinguished from ‘pressure pluralism’ (See Atkinson and Coleman, 1983).

Crouch (1983) has pointed out how the corporatist notion of intermediation goes beyond the pluralist analysis of bargaining between groups and government. In particular, groups engaged in corporatist bargaining are able to discipline and control their members to comply with agreements which have been negotiated with the state or other parties. As Grant puts it:

It may be doubted whether pluralism can properly be described as a theory of interest intermediation. It is rather a theory of bargaining between autonomous, often competing, groups and a fragmented state in which the emphasis is on the flow of flow of influence from the groups to the state with an inbuilt set of checks and balances which supposedly prevent any one group from becoming too powerful (Grant, 1985, p. 21).

Cawson notes that “nowhere in the literature on interest groups written from a pluralist perspective is stressed the reciprocity of the relationship between interest

groups and the state” (Cawson, 1982, p. 29). Williamson, however, argues that whilst intermediation is an essential element of corporatism and it is doubtful that pluralism is a theory of interest intermediation; it is not necessarily a distinguishing feature of corporatism (see 1989, Chapter 5). He points out that there could be borderline cases between corporatist and pluralist regulation and that “it does seem rather arbitrary to exclude pluralism from covering a role in overseeing the compliance to interventionist policies by its members” (Williamson, 1989, p. 104). As Grant suggests, however, “the alternative to drawing rather arbitrary divisions may be to concede the elasticity of pluralism, and hence to undermine its explanatory value” (Grant, 1993a, p. 30).

Corporatism in Britain

Did corporatism ever exist in Britain? There were corporatist ‘overtones’ when the CBI was formed. As Blank puts it:

The formation of the CBI was an indication of their determination that industry should take a greater role in the making of national economic and industrial policy and that *it should accept wider responsibilities in carrying out these policies (my italics)* (Blank, 1973, p. 4).

Middlemas (1979), meanwhile, outlined what he saw as the ‘corporate bias’ in British politics. Interest groups which were once outside the formal constitution became “governing institutions, existing thereafter as estates of the realm” (p. 372). This was not, however, a system of corporatism “but one where corporate bias predominates” (p. 374). Jordan is perhaps the most effective critic of those claiming to have identified some form of British corporatism (Richardson, 1999, p. 197). In a widely cited article published in 1981 *Iron Triangles, Woolly Corporatism and Elastic Nets* he argues that what corporatist scholars saw in British politics was “the order of segmentation, inter-

sectoral bargaining, limited access, voluntary groups” (1981, p. 113). In other words, although there had been talk of the corporatist state in the late 1970’s few corporatist writers were claiming to have found it in operation (ibid, p. 121). In contrast to the corporatists, Jordan emphasized the utility of the network approach as “at least the notion (of network) implied disaggregated power, extended links, a developing complexity in policy making reflects reality (in the area of political administration)”.

In a series of articles, Maloney, Jordan and McLaughlin continued to emphasize the importance of consultation in the British policy process (1994). In a similar vein, Grant argues that “such corporatist elements as had entered into the state-business relationship during the Second World War gave way to a prevalent pluralism in peacetime”. Any significant changes came after the ‘Brighton revolution’ of 1960 when the (Conservative) government became interested in indicative planning alongside tripartite economic management (Grant, 1991, p.44).¹² In the words of Grant, “the war produced only a minor and temporary change in the long-term development of a system which (with a few exceptions) was generally pluralist rather than corporatist in character” (1991, p. 45). Indeed, the 1980’s saw the importance of associations decline, even as pluralist partners with government, due to the government’s increasing focus on direct state-business relations (Grant, 1991, p. 44).

Marquand and the ‘Developmental State’

Cultural factors help explain the limits to corporatism in Britain. As far back as 1930, Clement Attlee remarked that “the individualism of the British industrialist, which in the past has been largely responsible for his success, and his conservatism, has made

¹² The ‘Brighton Revolution’ refers to the conference in Brighton organised by the FBI which prompted a change in direction in the economic policy of the Government.

him slower than his foreign rivals to recognise the need for collective action” (cited Grant, 1993a, p. 197). On a similar note, Grant has written:

On the part of business there is a persistent individualistic ethic which dates back to the origins of industrialisation in Britain and which is difficult to adjust in changed circumstances to engender effective collective action. On the part of government, there is a tendency to see business associations as ‘lobbies’, legitimate interlocutors with government, but not part of the system of governance itself (Grant, 1993a, p.12)

Caution, however, is advised. “If used improperly, culture can easily become a garbage variable, to which everything that cannot be explained in other ways is too readily assigned” (Grant, 1993a, p. 10).¹³ Nevertheless, such factors are possible reasons why both attempts at corporatism and business association reform have ended in failure.

Industrialisation in Britain took place before the modern state had developed and was largely due to individual entrepreneurs. There was, therefore, a deep rooted preference for a limited state. In contrast, countries such as Germany and Japan followed a ‘catching up’ strategy and had to develop an effective partnership between government and business. This included the encouragement of effective business associations to act as intermediaries between firms and the state. An example here is the *Handwerk* system which promotes high training and productivity standards in smaller German firms. This is in contrast to Britain where business associations have largely been seen as voluntary bodies whose effectiveness is the concern of their members as opposed to Government, resulting in an often chaotic and poorly resourced system of

¹³ As Grant puts it, cultural explanations can seem to explain everything, and yet explain nothing. It is easy to assume shared values where, in fact, they do not exist, or to “accumulate evidence which appears to sustain a particular interpretation, without looking at conflicting evidence or alternative interpretations of the evidence used” (Grant, 1993, p. 10).

associations. Marquand (1988) summarises these differences through the notion of a 'developmental state'. He writes:

The non-encompassing institutions and habits generated by the primitive industrialism of a hundred and fifty years ago (ran up) against the encompassing needs of the skill-intensive, quality-orientated industrialism of the late twentieth century (Marquand, 1988, p. 212)

Marquand refers, moreover, to "a complex amalgam of understandings, assumptions, practices and values, held all the more tenaciously for being largely unacknowledged" (Marquand, 1988, p. 211). One reason for the absence of a developmental state was that Britain lacked the state tradition of the sort which had existed in other European nations. This was partly down to the doctrines and ethos of early-nineteenth century market liberalism embedded in our culture. The most important of these doctrines derived partly from Benthamite utilitarianism which encapsulated and justified the ethos of market liberalism. This ethos also restricted the emergence of encompassing producer groups, responsive to wider society as well as their own sectional interests. Marquand concludes: "It is partly because Britain's producer groups have characteristically been non-encompassing that occasionally attempts to move towards the 'negotiated' version of the developmental state have come to nothing" (Marquand, 1988, p. 211).

In some senses, the thinking of Olson and Marquand can be combined (see Marquand, 1988, pp. 156-165). Marquand argues that if, as Olson states, stable societies are bound to have a large number of common-interest organisations, it is simply not practical to somehow wish them out of existence.¹⁴ The questions to be asked,

¹⁴ To be fair to Olson he did (as we have seen) outline some possible solutions.

therefore, are: why have Britain's common interest organisations been non-encompassing, and what, if anything, could be done to change this? Olson considers encompassingness to be a function of size. The larger a common-interest organisation is, the closer its interests will coincide with society as a whole, and therefore the greater likelihood it will behave in a way which conforms with the wider community. Marquand argues, however, that size is not the only factor, and that we must also consider whether or not an organisation has an encompassing structure. In the context of this thesis, therefore, loose knit, fragmented, ill-disciplined bodies, jealous of their independence, answerable only to their members, and only willing to co-operate with each other on their own terms would not be encompassing (see 1988, p. 159).

Marquand writes that there is growing evidence "that encompassingness is almost always the product of a kind of symbiosis between the government of industry and the conduct of the state" (1988, p. 160). In varying degrees, Austria, Sweden and Germany are examples of what Gerhard Lehmbuch has called 'liberal corporatism' and of what other political scientists sometimes call 'neo-corporatism (p. 160) Marquand argues that corporatism in a British context was, at best limited, and even in its limited conception proved unsuccessful (we look at corporatism in more detail below). He writes that neo-corporatist structures took root in Scandinavia and central Europe partly because their industrial cultures had been influenced by solidaristic, social-democratic and social-Christian thinking, and "therefore offered fertile soil to the solidaristic neo-corporatist values of power sharing and class collaboration" (p. 163). In addition, power-sharing requires that those concerned are prepared to subordinate short-term self-interest to a wider long-term interest. This, however, is foreign to the values and structure of British trade unions and employers' associations. As Marquand puts it:

For, like most British institutions, they grew up at a time when the ethos of market liberalism was at its height. Inevitably, they shared the individualistic,

market-liberal values of the society of which their members were part. Despite appearances to the contrary, they have not been able to shake off that legacy since (p. 163).

Britain, therefore, contrasts with countries where corporatism proved successful. In Scandinavia and Eastern Europe peak associations were encompassing enough to take a broad view of their members' interests and sufficiently well-disciplined to ensure that their members would honour their side of the bargain.

Marquand concludes (p. 165):

If Olson is right, non-encompassing common-interest organisations prevent a market liberal order from working properly. But the values of market liberalism prevent common-interest organisations from becoming encompassing.

The Decline of Tripartism

The term 'tripartism', however, is a useful way to describe the form of economic management present in Britain between the 'Brighton Revolution of 1960' and Margaret Thatcher's election in 1979. Tripartism can be seen as a weak form of corporatism in which "the state, capital and labour engage in macro-level discussions on economic policy which, however, only result in general guidelines for the conduct of policy; impose no firm responsibilities on the partners to implement any policies to which they have agreed; and are not linked, except in the most tenuous way, to discussions at the meso or micro levels" (Grant, 1985, p. 9). The 1978 Queen's speech, for example, had stated that "In all these matters (*government economic policies*) my ministers will cooperate closely with the Trades Union Congress and the Confederation of British Industry". Ten years later, Lord Young, as Secretary of State for Trade and Industry, would claim that "we have rejected the TUC; we have rejected the CBI. We do not see them coming back again. We gave up the Corporatist state" (*Financial*

Times, 9 November 1988).. The Thatcher Government believed that “The ability of the economy to change and adapt was hampered by the combination of corporatism and powerful unions” (CM. 278, 1988). Tripartite institutions such as the National Economic Development Council (NEDC) would be gradually abandoned under the Thatcher administration. It should be noted, however, that some long established examples of meso-corporatism (corporatist arrangements at the sectoral level) survived into the 1990’s, as in the dairy industry.

Corporatism in Britain is currently only of *academic* interest. Although there was *some* shift in economic thinking under the Major Government, it could not be deemed a return to corporatism. Crafts, with reference to the 1994 Competitiveness White Paper, argued that it “offered nothing new, continuing to stress the importance of training, contained no hint of a return to 1970’s style industrial policies, and implicitly confirmed the continuing decline in DTI spending” (Crafts, 1994, p. 212). There were no interventionist or planning bodies. Indeed, Norman Lamont, Major’s Chancellor, finally abolished an already weakened NEDC in 1992, arguing, “The age of corporatism must be put firmly behind us” (Hansard, 16th June 1992, col 778). The Major Government also witnessed the final dismantling of tripartite arrangements in training policy (2002, p. 220). Neither has there been any fundamental shift under New Labour. Tony Blair has stated repeatedly that ‘old style’ corporatism has no place in his ‘new Britain’ and that, in relation to what he calls, ‘1960’s corporatism’, ‘I don’t think that is where the world is anymore’ (*The Independent*, 26 September 1998).

As a final point, the retreat of the state has created new forms of private interest government, involving individual business persons, business associations, or specially-created institutions. Policy implementation has come to “involve state agencies and private associations working together in some relatively complex implementation networks” (Williamson, 1989, p. 114). Many such arrangements can be characterised as

'private interest government'. This was a concept that emerged out of the corporatist debate (Streeck and Schmitter, 1985) but can be regarded as a distinct model from meso or sectoral corporatism. Although less common in Britain than countries such as Germany, government often shares its authority with pressure groups, and delegates to them responsibility for carrying out particular functions, or providing particular services. This reliance on private interests may seem a 'corporatist trait', but its use tended to increase under the Thatcher Government as a result of the increasing reliance on 'contracting out' services (Grant, 2000, p. 210). Examples include the provision of training funds through non-statutory training organisations (effectively employers' associations), which replaced the former statutory training boards in most sectors of the economy; and (as stated above) the involvement of the chambers of commerce in a number of government programmes.

Business as a Privileged Interest

Pluralists take a fairly benign and (on the whole) non-interventionist view of business power (although there are differing points of view amongst pluralist writers).

Corporatists, meanwhile, believe that business can be harnessed to the pursuit of public policy objectives in collaboration with the state. Those who see business as a privileged interest, however, view its power as a potential threat to democracy and/or a democratic society and the ability of a democratic government to achieve its goals.

Marsh and Locksley point out that "Capital is different from other interests because it exercises power or influence in two ways - directly through interest groups and structurally because of the crucial role boards and managers exercise over the production, investment and employment decisions which shape the economic and political environment within which Governments make policy" (Marsh and Locksley, 1983, p. 59). Offee and Wiesenthal, meanwhile, have argued that there are 'two logics

of collective action' (1985). Whilst labour can only exercise power through collective organisation, capital can exert power even if it is not collectively organised. (see 1985, p. 205). Trade union power is, therefore, limited in a way which casts doubt on the pluralist notion of countervailing groups (Grant, 1993a, p. 33).

Alongside the structural bias in favour of business inherent in a capitalist market economy, the active influence of organised capital relative to organised labour increased under the Conservatives due to legislation which removed trade union legal immunities and freedoms (Gamble, 2002, p. 303). This weakening of trade unions occurred alongside long-term occupational and technological changes which led to a sharp decline in trade union membership (Gamble, 2002, p. 303). Gamble argues that:

The dominant influences in the contemporary policy process in the UK are business and the numerous lobbyists and organizations which represent it. Business is central to the numerous policy networks attached to the central spending programmes and regulatory regimes established by the UK and the EU. The countervailing power which labour exercised between 1945 and 1979 has been largely removed (Gamble, 2002, p. 304).

Gamble writes that government's now need to make sure that their policy agenda is aligned to that of leading business interests so as to avoid serious conflict over the implementation of their policies, and to keep the confidence of the financial markets. In general, he argues, the weakening of labour has meant that since the early 1980's British governments have been "free to align their policies with those of the business interest, and have mostly done so". He goes on: "A climate has been created in which attention to the needs of business and the views of business has become the principal determinant of policy agendas. It always was an important determinant, but in

the last 20 years it has acquired a new dominance which Labour has been keen to affirm". (Gamble, 2003, p. 304).

A classic study of business privilege is Lindblom's *Politics and Markets* (1977). His analysis is of interest, not least because his early work, in Jordan and Richardson's words, "constitutes some of the pillars of contemporary pluralism" (Jordan and Richardson, 1987, p. 80). Lindblom asks.

Who are the main leaders in the market? Businessmen. Who are the main leaders in the exercise of privileged business controls? Businessmen, of course. Who are the main leaders in polyarchal politics? Businessmen are influential in economic disproportion (Lindblom, 1977, p 200)

Lindblom believes that this position of privilege is maintained and exercised through fundamental issues such as private property and enterprise autonomy being kept off the political agenda. Disagreements between business and government are restricted to secondary issues such as tax rates and regulation (Lindblom, 1977, p. 180). Key issues, are kept off the agenda through "Early, persuasive, unconscious conditioning...to believe in the fundamental politico-economic conditions of one's society" and businessmen indoctrination of citizens, through, for example, the media (Lindblom, 1977, p. 297). In other words, it is suggested that business has power because it indoctrinates citizens so that "citizen violations serve not their own interests but the interests of business men" (Lindblom, 1977, p. 202). There are echoes, therefore, of neo-Marxist thinking and Gramsci's 'ideological hegemony' where the debate is defined by the dominant class (Jordan and Richardson, 1987, p. 87).

There are similarities between the different theoretical approaches. As outlined earlier, "even the most primitive versions of pluralism did not pretend that all interests

or potential interests in a society are able to exert an equal amount of influence on the decision-making process” (Grant, 1993a, p. 41). Truman, as we have also seen, did not deny that business was a privileged interest. The notion of ‘policy communities’, moreover, outlined by neo-pluralists could be applied to the ‘secondary issues’ outlined by Lindblom with most issues being dealt with in a different way by “key actors with considerable power resources at their disposal” (1993a, p. 38). Lindblom’s distinction is rather imprecise but, as noted by Westergaard and Resler, there could be two levels to the study of power.

An alternative to Lindblom is provided by Vogel (Vogel, 1989, pp.7/8):

While it is true that during this century the years when business has been relatively powerful have been more numerous than those when it has not, it does not necessarily follow that the former state of affairs is the normal one

Vogel believes that there is no need to choose between the analysis of business power offered by pluralists and their critics as the accuracy of a given perspective will depend upon the period in question. During the late 1960’s and late 1970’s, for example, business was on the defensive in the United States, and it was also a difficult period for business in Britain. The problem with such an argument, as Grant points out, is that although Vogel may have been successful at identifying cyclical variations in business influence, these may take place on top of an underlying structural power (Grant, 1993a, p. 35).

The notion of business as a privileged interest must be qualified in three ways (See Grant, 1993a, pp. 39/41). Firstly, many issues are resolved within particular policy arenas or ‘communities’. Although business’s economic power can be reasonably constant from sector to sector, its political power may vary significantly. Of particular

note is that the strength of countervailing groups may vary both over time and from one policy community to another. Secondly, business people cannot by themselves determine which matters should remain in the market place and which should be taken into the political sphere. Business may like to keep matters in the market sphere but they are, nevertheless, brought on to the political agenda due to the democratic pressures which exist in western societies (for example, the growth of environmental, consumer, feminist and animal welfare movements, none of which align themselves with 'business values'). Once a matter becomes subject to political decision, business has an uncertain outcome. This is not only because other interests come into play, but because business often has difficulty in deciding what its interests are and, having made its choice, in choosing a strategy to pursue those interests. The third qualification is that remarks about business privilege can only really be seen as applying to big business. Small businesses operate within a very different setting to big business. For example, they often find it harder to secure access to capital, and when they do it may be on less favourable terms. It is also likely that they will find Government regulations more of a burden than big business.

Nevertheless, it is clear that business has considerable economic power and that this power is increased by the level of concentration in the British economy, and the fact that globalisation is undermining the opportunities for government control of business (Grant, 1993, p. 39). In a later work Grant accepts that business interests have tended to strengthen their privileged position in the 1980's and 1990's, especially at the EU level (Grant, 2000, p. 217). Echoing Gamble, he outlines some reasons for this: the existence of Conservative and Labour governments which have been well disposed to business interests; the weakening of the main countervailing force, organised labour, with environmental groups being a poor substitute; and the increased sophistication of the political operations of firms (Grant, 2000, p. 217). Grant concludes:

All governments want a successful economy, and this means that there has to be a dialogue with business whose views must be seriously concerned. However, it may be that the balance has swung too far in the direction of business interests, and that the construction of the political agenda pays too much attention to what would serve the market economy, and not enough to the needs of less advantaged members of the population” (Grant, 2000, p. 218).

Is business privilege, however, necessarily a bad thing? An advocate of the free-market, for example, would view the economic power of business as necessary and desirable. A Socialist, on the other hand, would see things differently. They would argue that employers use their control of capital to extract surplus value from worker’s labour which they then expropriate as profits. Of course, the economic power of business reflects a choice by society, expressed through elections, in favour of a capitalist, free-enterprise society. In such a society, businesses are ‘corporate citizens’, who pay taxes, and are required to obey a wide range of laws and regulations. It does not seem unreasonable, therefore, that business should be given an opportunity to give its views on public policies that affect it. Therefore, there is both a need and a justification for effective business associations. The following Chapter, through a review of the literature on associations in general and the Devlin Commission in particular, will consider how effective associations can come about given the barriers to reform.

Chapter 3:

A Review of the Literature: Devlin, Government and Obstacles to Reform

This Chapter reviews the literature in three broad areas. Firstly, work on Devlin undertaken in the 1970's by Grant and Marsh. Secondly, literature on why reform has proved difficult for trade associations (in a sense, building on some of the ideas of Olson), and the extent to which companies and associations *themselves* can drive through change. Thirdly, literature on the role of government in stimulating reform. This sets up the final section of the chapter: an outline of the three 'hypothesis' we are seeking to 'test'.

Literature on Devlin

Grant and Marsh

Grant and Marsh analysed the Report in three separate sources (1972, pp. 455-57; 1973, pp. 10-19; 1977, pp. 72-78). Devlin's proposals, they argued, had "a great deal to recommend them" (Grant and Marsh, 1973, p. 13). Their general verdict, however, was that "although the report represents a painstaking and thorough analysis of the system of industrial and commercial representation in Britain, the remedies it proposes are unrealistic at the present time" (Grant and Marsh, 1977, p. 73). Most of the industrialists interviewed following the Report's publication criticised its findings in vigorous terms. Many of their respondents felt Devlin was trying to push change too much too quickly (Grant and Marsh, 1977, p. 73).

The Devlin Commission proposed a CBB (Confederation of British Business).

As Grant and Marsh put it:

The Department of Trade and Industry and other relevant government departments would obviously prefer to deal with, and be more likely to listen to, one peak organisation representing business interests

The authors also remarked upon the strong financial argument for a CBB. As Devlin states, the CBI's income was lower, if not significantly, than counterpart organisations in comparable sized EEC countries, and could not be "regarded as high for the purposes for which it is required" (Devlin, 1972, p. 56). Grant and Marsh, however, argued that the Devlin Report was rather over-optimistic about the problems involved in representing business as a whole. They stated that the CBI represented many industries with differing and sometimes conflicting interests. An even larger organisation may have tended to settle for a "passive compromise policy" to satisfy everyone, or alternatively "sit happily on the fence of indecision" (Grant and Marsh, 1973, p. 14). Looked at it from a different angle, although the proposed CBB (Confederation of British Business) might appear impressive on paper, internal tensions, say between retailers and industrialists, could have reduced its effectiveness, and therefore resulted in the new structures being less influential than the present system (Grant and Marsh, 1972, p. 457).

A further problem is that a merger between the CBI and the chambers of commerce would likely have meant the CBI absorbing the weak ABCC at the national level, but the locally strong chambers of commerce dominating any regional organisation of a CBB. The authors argued that "this might create difficulties, as the local chambers have primarily been interested in local matters on the one hand and

international trade on the other to the exclusion of national policy problems” (Grant and Marsh, 1977, p. 15).

A significant minority of Grant and Marsh’s respondents *did favour* the creation of a Confederation of British Business. On the whole, however, nothing annoyed the industrialists more than the proposal for a closer association between the CBI and the chambers of commerce. One Welsh industrialist, for example, remarked: “The Devlin Report was biased in the direction of chambers of commerce. What they failed to do was to go out into the country and find out what chambers of commerce could do. They went to areas where the chambers of commerce was strong like London, Birmingham and Glasgow, but they didn’t come to areas like North Wales where there are no chambers of commerce” (Grant and Marsh, 1977, p. 74). Some industrialists were worried about the sort of person they would have to associate with in chambers of commerce. As one respondent commented, “I was chairman of our local chamber of commerce ten years ago. My successor was an ice cream merchant, followed by a furniture trader who was sold out. I wouldn’t be prepared to sit down under that sort of chairmanship” (Grant and Marsh, 1977, p. 74).

Most of their respondents also believed that there was more than “the semi-tones of difference” between the ABCC and the CBI noted by Devlin. A senior member of the Midlands Regional Council of the CBI commented: “I have always regarded the chamber of commerce as a place where the retail trade meets and the CBI as a place where manufacturers meet. The Chamber of Commerce is the place for retailers, garage proprietors, service industries. They should do more about things like the adequacy of the roads in Birmingham. Their job is to see that the retail trade in Birmingham goes well” (Grant and Marsh, 1977, pp. 74/5). This line of argument, the authors argued, pointed the way towards some demarcation of duties between the chambers of commerce and the CBI. Devlin, however, was sceptical of this, arguing that “once one

has accepted that commerce and industry are indivisible, one has precluded the possibility of any other meaningful division of responsibility” (Devlin, 1972, para 50).

The Devlin Report argued: “From the recognition that there is no real division between industry and commerce, there follows inexorably the fact that what is wanted as the top representative organ is ... a Confederation of British Business” (Devlin, 1972, p. 14). Grant and Marsh, however, questioned this premise. The links between industry and the distributive trades may have been closer than before, but the majority of their respondents believed that they faced different problems requiring different representative organisations (Grant and Marsh, 1977, p. 74). A close relationship was, therefore, unlikely to develop, but this was not seen as a serious problem. After all, the existence of a chambers of commerce movement along with a system of business representation did not result in serious problems in countries such as Germany. Grant and Marsh accepted, however, that it was undesirable to have directly competing systems of representation (in this respect, the closer contacts developing between some CBI Regional Councils and some chambers of commerce may have led to a reduction in overlap). It would have seemed sensible, for example, for chambers of commerce to concentrate on issues related to international trade and matters of a purely local nature, with the CBI dealing with national policy and using its regional councils as a ‘sounding board’. Grant and Marsh indicated that the inclusion of the retail sector in the CBB would pose even greater difficulties. The Report pointed out that the Retail Consortium was “having some difficulty in becoming established as an effective organisation in the retail sector”. Neither the consortium, nor the majority of retailers, however, had shown any interest in joining the CBI, although membership had been open to them since 1969.

Grant and Marsh also found fault with other Devlin recommendations. The Report proposed that the CBI be placed at the head of a hierarchy of organisations with

trade associations and employers' organisations expected to eventually provide one half of the CBI's income as opposed to the one sixth which then existed. Furthermore, no company could belong to the CBI if it was not a member of the appropriate industry association. It is doubted whether this would be an adequate *quid pro quo* for the associations' increased contribution to the CBI (Grant and Marsh, 1977, p. 75). Not all industry associations may be prepared to pay a larger subscription (Grant and Marsh, 1973, p. 14). Indeed, trade associations may be reluctant to increase contributions to the CBI due to fears that higher subscriptions would force some of their smaller members to withdraw their membership (Grant and Marsh, 1973, p. 16). Smaller firms may appreciate the improved services trade associations could offer if they had a closer relationship with the CBI, but they would be sensitive to 'value for money' considerations if they had to pay a higher subscription (Grant and Marsh, 1973, p. 16).

The report also spoke of the CBI providing a 'back-up service' for the associations but such a service already existed. Indeed, the CBI often draws upon the specialist knowledge of the associations (Grant and Marsh, 1977, p. 75). It is doubtful, therefore, "whether some of the larger associations would want to pay substantially more for the privilege of participating a two-way exchange of information with the CBI" (Grant and Marsh, 1977, pp. 75/6). Indeed, the Chamber of Shipping had told the Devlin Commission that it felt it would gain very little by joining the CBI and, furthermore, might lose its close relationship with government departments. Grant and Marsh write that "associations find the broader perspective offered by the CBI helpful to them in their own more specialist work, but this does not mean that they would be prepared to pay for a greater part of the substantial running costs of the CBI" (Grant and Marsh, 1977, p. 76).

The Devlin Report also proposed the rationalisation of the structure of employers' organisations and trade associations. Grant and Marsh had some sympathy

with the view of an industrialist who told them: "It is obvious that there are some trade associations that cannot give an efficient service, but I don't think that this is necessarily a function of size. Devlin was bemused by the virtues of size, by an assumption that something big is good and something small is hopeless" (Grant and Marsh, 1977, p. 76). They accepted that there should be a "certain tidying up" of the existing system but that many associations were accepting the CBI's advice to "concentrate in depth on a few issues which particularly affect our members" and were, therefore, performing a service of real value (Grant and Marsh, 1977, p. 76).

Many of Grant and Marsh's respondents echoed Devlin's criticisms of the large number of small, ineffective trade associations. Indeed, "one can accept the argument that an association which hopes to make any impact on government must be able to afford to employ a director-general who is of the same calibre as senior civil servants" (Grant and Marsh, 1973, p. 10). On the other hand, their research suggested that "in certain cases very small associations can bring a stream of benefits to their members which considerably outweigh the costs incurred in membership" (Grant and Marsh, 1977, p. 76). They interviewed, for example, the chairman of a medium-sized firm in the Midlands who had recently helped set up a new trade association with just six members, a retired executive serving as the chairman, and the secretarial work being undertaken by a firm of accountants. The authors wrote that "although this is exactly the kind of arrangement of which Devlin is critical, the respondent felt that his firm had gained a number of specific advantages from membership of the trade association" (Grant and Marsh, 1977, p. 77). Small associations may offer direct and specific benefits to their members in return for a relatively small outlay, perhaps explaining their persistence (Grant and Marsh, 1977, p. 77).

Devlin also advocated the 'phasing out' of small firm members from the CBI, alongside the formation of a new Small Business Council involving the Small Business

Association. Grant and Marsh accepted that it had not been easy to represent the interests of small and large industrialists in one organisation. Most CBI members they spoke to, however, thought that the CBI should represent all companies, large and small alike. They wrote that “the Devlin Report’s proposals on small firms aroused strong opposition within the CBI and the organisation has stressed that ‘everyone eligible who wishes to join the CBI should remain free to do so’” (Grant and Marsh, 1977, p. 77). In particular, the CBI would be reluctant to lose its smaller member firms unless it could be sure of a large increase in income from trade associations (and, as pointed out above, there could be problems in this regard) (Grant and Marsh, 1973, p. 14)

Grant and Marsh argued that what happened following the Report would, to a large extent, depend upon the big companies (a fact which the Report makes clear). Nevertheless, the attitude of government towards the restructuring of the system of industrial representation would also affect the likelihood of the Commission’s recommendations being accepted. In the last resort, however, they argued that although government may be able to *encourage* rationalisation, it is for “industry to put its own house in order - if that is what is needed” (Grant and Marsh, 1973, p. 19). Grant and Marsh provide a thoughtful analysis. Many of their criticisms (not least on the proposed CBB and restricting direct company membership of the CBI) echo the reservations of business in their response to the Report (see Chapter 7). It is hardly surprising that a Report so out of step with business opinion would fail to be implemented. There is some evidence, therefore, that there was a ‘mismanagement of the process’: in other words, Devlin concentrated on the wrong issues and came up with the wrong solutions. In this context it will prove informative to look at the evidence collected, how it was interpreted, and how the Commission reached their conclusions (see Chapters 5 and 6). Arguably, Grant and Marsh underestimate the potential of government: it could be that it needs to do more than simply *encourage* reform (a point we return to later in the Chapter). Moreover, any agenda for reform must show us how to get from where we

are now to where we want to be. This is perhaps the greatest failing of the Report and could have been emphasised more in this critique. There are considerable obstacles which must be overcome and it is to these we now turn.

The Obstacles to Reform

The writings of Boleat and Macdonald outline how rationalisation is not easy to achieve. Indeed, "A realistic observation is that a merger between two associations often results in three associations.... Trade association mergers that should occur on logical or economic grounds often do not happen because of personalities: because of next year's chairman or this year's chief executive" (Boleat, 1997, p. 57).¹ Boleat, echoing the work of Olson, lists three reasons why mergers have proved difficult for trade associations (2003a, pp. 171/2):

- There are no clear owners of the business who will receive any significant financial benefit from the merger. Indeed, the members of the governing council will face considerable downsides - extra work, some criticism and loss of office.
Furthermore, the chief executive will risk losing his job
- Ego's. In other words, people do not want to lose the opportunity to be chairman of the association or a committee.
- Members can have considerable loyalty to a trade association and believe that in any merger the other association will come out on top.

The politics of trade associations are important. Associations tend to develop lives of their own and can be resistant to change (Boleat, 2003a, p. 164). They can command

¹ Indeed, in *Who Speaks for the City* (2002) Boleat and Lascelles write that the consequences of merging two associations is often to create *five*. The new merged body, the two constituent associations (who will live on in some form within the new body), and two splinter groups which were always opposed to the merger.

an almost 'illogical' loyalty among some members and individuals. Members can be heard talking of 'supporting the association's conferences and social events" whereas the function of an association *should be* to support the members (Boleat, 2003a, p. 164). Change can be fiercely resisted by influential people. A merger will be seen as the association being 'swallowed up' by the other association. As Boleat puts it:

It is unkindly said that inertia is the driving force behind some associations. Many members will happily pay a subscription year after year and seem little concerned as to what the association actually does. An association that raises its head above the parapet will be criticised by some members (Boleat, 2003a, p. 164).

Boleat's 1999 Forum Study *Models of Trade Association Co-operation* (2001) looked in detail at the question of mergers, identifying benefits but also real obstacles. He lists factors such as commitments to leases, incompatible subscription structures, differences in purpose/culture and the diversion of time and effort needed to achieve constitutional change, plus of course, the issue of personalities. Such thinking is echoed by MacDonald (2001, p. 12). Sometimes, he argues, the human factor, in the shape of the president or Director-General, can get in the way. One Director put it: "I need to put off talk of mergers until this Association has recovered its position and can be in a position to dominate again" (MacDonald, 2001, p. 12). Sometimes the financial implications of a merger can also frighten participants. MacDonald writes: "A surprising number of potential mergers have foundered because of the cost of getting out of leases on office space" (MacDonald, 2001, p. 12).

There are, as Boleat puts it, three groups of people who can make things happen in a trade association? (Boleat, 2003a, p. 163):

- The chief executive
- The chairman and perhaps other elected officers
- The large members

The extent to which an association is involved in ad hoc co-operation, coalitions and alliances will depend largely on the chief executive. Furthermore, when a merger or federation is being considered, then leadership and skilled handling from the chairman and the chief executive are essential. Otherwise, the initiative will fail. Nevertheless, a chief executive “who suggests the need for restructuring is putting his head on the block”. Furthermore, “the best elected officers are busy people who probably do not have the time to engage in detailed restructuring. Those who do are generally the worst placed to take the issue forward” (Boleat and Lascelles, 2002, p. 24). Big members, therefore, have a critical role. Their support is vital if a merger or federation is to succeed. As Boleat puts it:

They can force action against even the opposition of the chairman or chief executive - if necessary by removing them..... In extreme cases the large numbers may threaten to leave the traditional associations en masse and set up their own new association (Boleat, 2003a, p. 164).

Similarly, he writes elsewhere: “Generally, the driving force behind structural change comes from the largest members of a trade association. They are the ones who pay the bulk of the bills and they are the ones who suffer from multiple membership of multiple trade associations” (Boleat and Lascelles, 2002, p. 24).

Boleat lists two different approaches to achieving mergers (1997, p. 57). The first is to appoint someone to drive through merger, for example a distinguished

outsider or someone with high credibility within the industry. Such a pattern has been adopted in the insurance broking world, where a partner in Coopers and Lybrand chaired meetings between two bodies, the British Insurance and Investment Brokers' Association and the Institute of Insurance Brokers. Such a tactic, however, has not removed the major personality problems or the concern of some members that their interests would be submerged. The second approach (as mentioned above) is the more dramatic. Large members say that if there is no merger they will resign *en masse* from one or both of the associations. This tactic was recently employed in the construction industry, and this led to the Federation of Civil Engineering Contractors going into liquidation. Boleat concludes: "This approach is probably more effective but in practice it is very difficult to get big companies to devote the necessary time and resources into taking such a decision" (Boleat, 1997, p. 57)

Macdonald argues that the responsibility for reform *does lie* with the paymasters. Unfortunately, however, "they continue to show an astonishing reluctance to act" (2001, p. 13). As he puts it:

Companies remain as reluctant as ever to provide the subscription income that would provide better-financed Associations. Although they know that there are too many Associations, they shy away from imposing Associations capable of being cost-effective in lobbying, exports and competitiveness activity" (Macdonald, 2001, p. 4).

He further argues that member companies need to see their Associations as an investment rather than as an overhead ripe for culling; and they need to use their financial muscle to impose structural and managerial change. In sector after sector they use bold words but do little" (MacDonald, 2001, p. 5) As he puts it:

Executives who merge companies, rationalise production facilities in a host of countries and convey a 'Can-Do' image shy away from pushing through reforms of Association. Indeed, in my discussion with executives I heard almost as much about industry creating *new* Associations as I did about rationalisation! (2001, p. 14).

Macdonald provides some possible explanations for this (Macdonald, 2001, p. 5). They must, for example, regard TA matters as having a lower priority than the problems of their own businesses. They probably do not think it is worth the time and effort - and wonder if peers in other companies would support them all the way. They probably prefer to exercise influence by 'marking the card' of the Director of the largest association in the sector, in the hope that the smaller Associations will not get in the way. It could also be that during a sustained period of economic growth, executives have not seen the savings which could be gained from a more effective Association structure as worth the effort required to push rationalisation through. This, however, could change during an economic downturn. Grant, meanwhile, adds the point that large firms in Britain are often organised on the basis of product divisions possessing a great deal of autonomy, including which business associations to belong to. This helps to explain why large firms in Britain are organised in a number of associations specialised by product or market segment, and why they tend not to press for mergers of related organisations (Grant, 1993a, pp 107/8).

There is much in Boleat and Macdonald's analysis. They provide a clear account of how change is difficult to drive through. It should be noted, however, that many of the objections to mergers and reform also apply to unions: they may also encounter opposition from their leaders or their membership to change. Generally speaking, however, they have been more successful in achieving reform: currently, for example, there are proposals to merge the TGWU, GMB and Amicus. There has been a

significant reduction in the number of unions from 1,000 in 1940 to 560 in 1968 and 268 in 1992, reflecting a *concentration* of membership as unions have got bigger (McIlroy, 1995, p. 19). There are various explanations for this, not least that trade unions are larger than many trade associations, and it may be easier to drive through change in organisations of individuals as opposed to organisations of firms (the point here being that one or two large companies can block change but this is not the case with one or two individuals - they could also promote change but that rarely happens). The key explanation, however, is that trade unions have suffered greater financial pressures through a substantial reduction in membership, in particular during the Thatcher years. As McIlroy puts it, union membership may be expected to decrease when there is high unemployment and a hostile political and legal environment (McIlroy, 1995, p. 23). In 1979 there were 13.2 million trade union members and 12 million were in unions affiliated to the TUC. By 1992 membership had fallen to under 9 million of which only 7.3 million were in the TUC (McIlroy, 1995, p. 22).² Nothing comparable has occurred with trade associations. It is hardly surprising, therefore, that the 1980's and 1990's were periods of rapid change in union structure. Of the dozen biggest unions in 1982, only the TGWU, GMB, USDAW and UCATT survived a decade later. Unions felt a pressure to merge; McIlroy referring to a period of 'merger mania'.

The Role of Government

To return to the point mentioned earlier, it could be that government needs to exert its influence if association reform is to be driven through and it is to these matters which we now turn.

² Membership would continue to fall throughout the 1990's but it appears to have stabilised (indeed slightly increased) in recent years. See, for example, the DTI paper on Trade Union Membership (2004) which can be assessed at <http://www.dti.gov.uk/er/emar/trade.htm>

The Logic of Membership and the Logic of Influence

Schmitter and Streeck (1999, p. 19) referred to the *Janus*-like nature of business associations in their role as intermediaries between at least two independently constituted, resourceful and strategically active set of actors – between firms on the one hand and state agencies and/or labour organisations on the other. Business associations have to structure themselves and act so as to offer sufficient incentives to their members to extract from them enough resources to allow their survival, if not growth. However, they must also be organised in a way that allows them to gain access to and exercise adequate influence over public authorities (or conflicting class organisations) and, therefore, extract from this adequate resources (recognition, toleration, concessions, subsidies etc) enabling them to survive and to prosper. These two ‘logics’ of exchange are referred to as ‘the logic of membership’ and the ‘logic of influence’ respectively. As Schmitter and Lazalaco would put it (1989, p. 206), the *logic of membership* refers to members of business associations determining the format and content of associative action; and the *logic of influence* refers to associations being determined by their interlocutors, especially state agencies and trade unions. They go on:

The eventual outcome in terms of organisation was seen as a sort of compromise between these two with the first pushing for fragmentation and segmentation of interests, while the second tended to impose a more comprehensive and unitary structure (1989, p. 206).

The ‘logic of membership’ deals with the *characteristics* of members of an association. In examining it, therefore, one is concerned with such economic phenomena as competition, heterogeneity, growth and productivity within a sector or subsector, in addition to social phenomena such as the social cohesion of the category

of interest which is being represented. Broadly defined, it can also include members' loyalty to an association (discussed elsewhere in the thesis). Logic of influence factors might be expected to pull in the opposite direction than the logic of membership: in other words they should have an integrating rather than a disintegrating effect. One might expect, for example, that governments would prefer to deal with a small number of associations representing comprehensive domains where interests are aggregated at as high a level as possible (Grant, 1987, p. 14). Reality, however, is more complex, suggesting that Schmitter and Streeck's model needs to be refined.

As Van Waarden (1987) points out, it is difficult to disentangle the logic of membership from the logic of influence: the two are enmeshed. Moreover, the logic of membership is strongly influenced by the logic of influence. The institutional characteristics of the interested category (logic of membership) can be significantly shaped by the actions of public interlocutors (logic of influence). Product markets, for example, are influenced by government's role as a customer, and by product regulations and so on. Product markets in many sectors, therefore, do not exist independently of government; they are shaped by government, but the extent of government influence will clearly vary from one subsector to another (Grant, 1987, p. 217). We should not, therefore, view the logic of membership as a 'given' which inevitably leads to a fragmented associational system. As Van Waarden puts it (1997), heterogeneity exerts its influence on associative action only because it, in turn, is influenced by state intervention which structures the market. A comparative study by Grant and Streeck, moreover, of the construction industry in Britain and West Germany, found that state influences on the market could either increase or reduce tensions between large and small firms, thus confirming that the logic of membership is itself conditioned by the logic of influence (Grant and Streeck, 1985).

During the First World War, the government took a keen interest in the formation of the Federation of British Industries (1916) and the two chief staff members of the new organisation were seconded from the Commercial Section of the Foreign Office. In addition, the merger of the Federation of British Industries with two other 'peak associations' to form the CBI in 1965 was said to have been actively encouraged by George Brown, who was the Labour Government's First Secretary of State and Minister for Economic Affairs.

As Bennett and Payne put it, "government attempts to influence the organizations of the sectoral business associations have had very limited impact and the pattern remains highly fragmented and complex" (Bennett and Payne, 2000, p. 28). The Department of Trade and Industry seconded a civil servant (Alastair Macdonald) to serve as secretary to the Devlin Commission. Generally, however, government has had no policy or even view on trade associations. Any action there has been has tended to be on a sectoral basis, rather than as any part of a co-ordinated strategy (Boleat, 2000, p. 62). Support was given to the CBI's attempts (albeit unsuccessful) to reform the chaotic representation structures in the mechanical engineering sector through the creation of the British Mechanical Engineering Confederation (BRIMEC) (Grant, 1993, p. 108). BRIMEC was set up following a report by the CBI's Directorate of Organisation in 1967-8. As the Devlin Report stated "BRIMEC has not developed as much as was hoped into a focal body for mechanical engineering" (Devlin, 1972, p. 42) The Offshore Supplies Office, meanwhile, tried from 1973 onwards, again unsuccessfully, to establish a unified trade association for the offshore supplies industry (Jenkin, 1981, pp. 133-5). Certainly, subtle behind-the-scenes pressure from government can catalyse processes of change that have already started within an industry. An experienced association official commented, "One way in which association rearrangement does

take place is via pressure from Government departments, who find for example that splintering is at times a handicap to their work” (Grant, 1993a, p. 108). The National Economic Development Council (NEDC), also showed some interest in rationalising business associations and assisted the formation of new associations in the retail trade in the 1960’s and in the clothing industry in the 1980’s.

Michael Heseltine, as President of the Board of Trade, made some attempt to rationalise the system of trade associations (Grant, 2001, p. 341). The Government suggested that it would only be willing to have a dialogue with one association from each sector. Heseltine made speeches in 1993 and 1995, moreover, which were critical of the performance of trade associations. Such associations found an increasing role in the Competitiveness White Papers of 1994/5/6. In February 1996, the DTI published the *Best Practice Guide for the Model Trade Association* which set out the benchmarks which trade associations should aspire to. A series of benchmarking club were also set up in the autumn. These were designed to help trade associations identify their strengths and weaknesses and share best practice. The Association of British Insurers (ABI) spearheaded such initiatives and others (such as the 1997 Benchmarking Exercise) with DTI support from 1995-1997. The Trade Association Forum, again with government assistance, was set up by the CBI in the summer of 1997 and took over the functions of the ABI. This became self-funding in April 1999 and attempts to spread the dissemination of best practice among trade associations, and encourage their rationalisation through measures such as merger. It would carry out further benchmarking exercises in 1999 and 2001. Also of note were the Heseltine ‘challenge’ initiatives (such as the 1996 ‘sector challenge’) which involved trade associations competing for government funds to undertake projects promoting the competitiveness of their sectors.

On the whole, however, government has been reluctant to intervene in the representative arrangements of business. Grant lists three reasons for this (see Grant, 1993a, p. 109). Firstly, government operates (in Britain at least) within “a largely pluralist paradigm” where business associations are seen, essentially, as voluntary organisations outside the system of government. Secondly, government policies have been increasingly aimed at firms as opposed to sectors. Thirdly, when government has sought a partnership with business organisations, the favoured instruments in the past have been research associations or economic development committees (Grant, 1993a, p. 109). The National Economic Development Council (NEDC) was formed in 1962, bringing together employers, the unions and government.³ Economic Development Committees (EDC’s), moreover, were first set up in 1964 and attempted to tackle the problems of individual industries on a tripartite basis. There were, however, problems with seeking a partnership with business in this way. Firstly, setting up an additional layer of alternative structures resulted in unnecessary bureaucracy and complicated the system of business representation. Reform of existing structures, in other words, may have been preferable. Secondly, these structures were seen as a means of building ‘understanding’ between employers and organised workers. Arguably, this function got in the way of a government-business partnership.

It is important, however, not to underestimate the influence of government. Grant, for example, asks “whether it is the structure of government that shapes the pattern of association activity, or whether the pattern of business association activity shapes the structure of government”. He concludes, based in part on years of study of business associations in Britain including discussions with civil servants, that there is a case for arguing “that it is the business associations which have been influenced by

³ The literature sometimes refers to the ‘National Economic Development Council’, sometimes to the ‘National Economic Development Office’ (NEDO). These are different but related. The Office was the secretariat, made up of seconded civil servants and staff brought in from outside. The NEDC is often referred to as ‘NEDDY’.

government structure, rather than the other way round” (Grant, 1989, p. 10). As he further establishes (1993a, pp. 108-9), whilst *direct* state intervention has had little influence on the pattern of business associability, the *indirect* consequences of the way business is organised must not be underestimated (Grant, 1993a, p. 109). In other words, “the unintended consequences of government action are of greater importance than the intended consequences” (Grant, 1993a, p. 109). Grant writes:

The State does not pursue some organisational grand design in relation to business associations; rather the actions of government constitute an ‘invisible hand’ which guides and shapes (but certainly does not determine) the way in which business associations are organised (Grant, 1993a, p. 109).

The food processing industry, for example, did not have a sector-wide organisation until 1984 when the Food and Drink Federation was founded. A shift in the distribution of state functions, however, between national and supranational level, and consequent changes in policy, resulted in changes in the system of business associations. “Logic of influence factors thus tended to wash out logic of membership factors” (Grant, 1993, p. 107). One indirect effect of government organisation, moreover, is the relative degree of functional centralisation or decentralisation in terms of the concentration or dispersal of responsibility for a given industry. Each government department tends to act as a focus for a ‘policy community’ with its own representative associations. Government, as mentioned above, can structure the market and thereby influence the pattern of associative activity. It should also be noted that the volume and complexity of policy issues gives an incentive to reduce overlap and duplication. The MacDonald report, moreover, indicates that the downsizing of government departments reduces the interfaces and contributes to the pressure to rationalise representations (Macdonald, 2001, p. 12).

The logic of influence, therefore, is of considerable importance. The influence of the state, however, is not consistent and runs counter to the needs of organizational development. As Pestoff puts it, the state is not a monolithic institution with a single will, but is segmented in character with a composite will of parts which interact with each other through a mixture of conflict and cooperation (Pestoff, 1987). The diversity of state structures dealing with the food industry, for example, means that they reinforce rather than counteract its fundamental heterogeneity. As Grant puts it, “the product-related nature of state structures encourages subsectoral fragmentation of the associations, and ‘freezes’ the existing pattern of narrow subsectoral associations in the industry” (Grant, 1987, p. 15). More generally, whilst government may help to shape the contours of business associations, they remain voluntary bodies which must attract and retain members. The logic of membership has predominated in the UK and this thesis looks at why this is so.

To What Extent Should the State Intervene?

It could be argued that successful association reform requires government support and/or intervention. As Boleat and Lascelles put it: “Sometimes, the impetus for change can come from the government or regulatory bodies where it is felt that a trade association structure is hopelessly inadequate” (Boleat and Lascelles, 2002, p. 24). Reform, in other words, requires action by trade associations (and their members) but this can be slow to occur in the absence of an external stimulus. Exogenous shocks such as a recession may help but government also has a role in providing a continuous stimulus for reform (Grant, 2000a, p. 176). In this context, it should be noted that government did little to implement Devlin’s findings (to be fair, the Report saw little role for government in pushing through reform either). In contrast, the Heseltine initiatives involved an increased role by government and arguably had some success (we look at this in more detail in Chapter 8).

Numerous authors have written on this topic. MacDonald (2001), for example, does not believe that it is the role of Government to *impose* restructuring. He does, however, argue that Government Departments *can help*. They should (MacDonald, 2001, p. 5)

- Be more open with Associations whose ambitions are greater than their abilities – they should indicate where they are failing, and when they are not convincing on an issue.
- Make it clear to Associations and member companies when the fragmentation of Associations is proving unhelpful to the sector's cause; and also encourage ad hoc coalitions of associations when such groupings would be useful to both sides.

With regards the former, civil servants should implement one specific item of the Heseltine initiative – a custom which, to date, has been “honoured more in the breach than the observance – by being more candid with Association Directors and their paymasters, about their understanding of Whitehall, about the reasons why particular representations have sunk like stones.....; and about the lessons which an Association should learn from defeat” (MacDonald, 2001, p. 10). With regards to the latter, some ad hoc coalitions have developed in response to clear Departmental pressure for better staff and a greater pooling of views among Associations. Officials can and should do more to rid Associations of the notion that “six different perspectives on a policy issue makes Associations seem relevant” (MacDonald, 2001, p. 13).

Government as an ‘external force’ can, therefore, promote improved trade associations. In this context, Boleat argues that it does not require a highly interventionist approach (indeed that could be counter-productive!). Instead, there should be a ‘strategic approach’ (Boleat, 2000a, pp.64/67). Trade associations, he

writes, should be seen as a key part of the policy-making apparatus. In this context, he refers to a positive development: *How to Conduct Written Consultative Exercises* (The Cabinet Office, 1998). An important principle appeared here in a government document for the first time: eg: in consultation documents there should be “a request that those responding should explain who they are and, where relevant, who they represent” (Quoted in Boleat, 2000a, p. 64). It is also recommended that views be adequately weighted: “pay particular attention to representative bodies such as trade associations representing business in the sector, trade unions, widely representative consumer groups and those most affected by the proposals” (Boleat, *ibid*). Boleat notes, however, that very few government departments took notice of this requirement, and that government continued to be influenced by the number and weight of responses. As he puts it:

If trade associations know that the bigger the interest group they represent the more weight will be given to what they say then mergers which should have taken place will take place and coalitions and alliances will be seen to be more advantageous. By contrast, if the government gives the impression that it is influenced by the number of responses to a consultation exercise then a more fragmented approach is inevitable (Boleat, 2000a, p. 65).

The 1998 document was followed by the *Code of Practice on Written Consultations* (Cabinet Office, 2000) and the revised *Code of Practice on Written Consultations* (Cabinet Office, 2004). Boleat argues, however, that some key issues need to be addressed if the consultation process is to be improved (2003b, pp. 2/3). In particular (as suggested above) the consultation process is not transparent. The respondents to consultation exercises are mainly organisations claiming to represent particular interest groups. Policy makers studying a response will often not be aware whether the British Widgets Association, for example, is a large trade association

representing a major sector producing well researched evidence based on the views of its members, or whether it is simply a man operating from Wapping. Likewise, it is often difficult to identify who should be consulted. As Boleat puts it: "It is important that policy-makers and others can easily identify interest groups and know who they represent. Ideally, there should be a proper directory of interest groups" (2003b, p. 3).

In this context, what should be the role of government? Boleat's overall recommendations are as follows (see, Boleat, 2000a, pp. 66/7). Firstly, there should be a recognition within government that trade associations have a valuable role to play in the policy making process. Secondly, government departments and agencies should have a better understanding of trade associations and other interest groups and have a consistent approach to consultation. Thirdly, the government has a role to play in promoting improvements in the effectiveness of trade associations, for example by making it clear to industry leaders when a sector is not being well-represented. "Where an association is clearly ineffective it may make sense for a senior official to indicate this privately either to the chairman of the association or to the heads of the big companies in the sector" (Boleat, 2000a, p.66). This may be sufficient to bring about improvements. Boleat adds that it is "probably not sensible for officials to try to take a more interventionist role by actually imposing their own solution....It is unlikely that officials will be particularly well placed to second-guess what should be done in the sector whereas they are very well placed to say that something should be done" (Boleat, *ibid*). Fourthly, the government should continue to support the Trade Association Forum and government departments and agencies should encourage trade associations to become members.

Problems of Voluntarism

Arguably, more substantive government intervention is required. Britain business associations are voluntary bodies. In other words, there is no public law or privileged status, no significant financial support, no compulsory membership, and usually no coherent government policy when it comes to departments in dealing with associations (Bennett, 1997c, p. 8). The role of business associations in Britain is, as Bennett puts it, fundamentally different to in France, Germany or Japan where they have a more formalised position. In a voluntary system, associations act through *endogenous* action: eg, their own resources of money, staff and membership support (Bennett, 1997c, p.8). In order to create these resources, an association is motivated and maintained as a solution to Collective Action Problems (CAP). These exist when the rational action of individual businesses are more, or at least equally, efficient through collective as opposed to individual business actions (Bennett, 1997c, p.8). As Bennett puts it, three further issues must also be addressed (1997c, pp. 8/9).

Firstly, he notes the problem of 'path dependency'. In other words, many associations exist simply because they existed in the past, and they tend to 'wither' rather than to die (there are echoes of Olson's thinking here). There may be very high search and bargaining costs associated with change from existing practice. On the whole, the more an association is managed by its members (ie. Is 'Council Driven') as opposed to its executive, the stronger will be the historical inertia. Therefore, associations in voluntary systems will tend to serve relatively stable interest groups and provide a rather static range of services over a long period of time. Greater external force or effort is, therefore, required if we wish to change and adapt collective organisations quickly for a new role, either for their members or for Government. There is likely to be 'sub-optimal' provision of services by an association, both from the point

of view of Government or as judged by market potential in the associations specific niche.

Secondly, Bennett brings in the role of Government. Writers such as Streeck and Schmitter (1985) and van Schendelen (1993) have argued that, in general, the greater Government leadership, finance, support and so on, the greater will be the extent of organisation of a country's business associations. In other words, Government can impose order on the sector in a way in which endogenous solution alone would not achieve. This could be achieved by regulation, finance, 'recognition', excluding non-conforming associations and so on. Of course, this may result in another form of 'sub-optimality', where Government decisions replace business decisions, and associations come too closely to serve the interests of Government as opposed to their own members or markets. However, when Government relies simply upon the endogenous characteristics of a voluntary system, it is to be expected that associations will simply satisfy the characteristics of endogenous CAP solutions rather than the characteristics desired by Government. In other words, there will be fragmentation, competing interests between associations, and resources will tend to be low. Furthermore, associations will "predominantly press the interests of their staff, or those of their members, who are their paymasters, rather than those that are of chief concern to Government. This is not a bad thing for the association, but it will not necessarily deliver Government's needs" (Bennett, 1997c, p. 9).

Thirdly, there is a tension, as Bennett puts it, between truly collective goods which are provided by an association and those which are more selective. All businesses will benefit equally from collective goods (say, business representation, benchmarking of standards and so on). This is in contrast to selective good which will benefit only the individual businesses which will consume them (say, specific business support, marketing supports etc). Within a voluntary system of representation there is an

incentive for individual businesses to opt out of associations which simply provide collective goods.⁴ After all, businesses can often take advantage of the benefits without bearing any of the costs. This results in a 'free-rider' problem. Associations can, therefore, find it difficult to raise adequate resources when acting solely as collective bodies and they may find that their membership is low in proportion to the total number of businesses in the sector. Most associations will seek to overcome this problem by raising revenue through selective as well as collective services (the former are usually charged on a fee basis as they are consumed, in contrast to the 'subscriptions' for the latter). Collective services are, therefore, in danger of becoming a 'by-product' (see Olson, 1971). In other words, they are relegated in priority, resources or staff, so that sufficient resources from selective services can be raised to fund the organisation (see, Olson, 1971). As Bennett puts it:

Most of the objectives that Government has for associations are of a collective kind, particularly the information exchange and representation functions. To the extent that this is true, Government may be playing to the weakest aspect of associations in a voluntary system. However, when Government is interested in enhancing the association's role in providing selective services to its members (as with an emphasis on individual business competitiveness) it may be playing to the potentially strongest aspect of voluntary associations (Bennett, 1997c, p. 9).⁵

⁴ Bennett is citing here the ideas of Olson as outlined in 'The Logic of Collective Action' (1965). These, as outlined above, have some flaws. In particular, as Grant points out, whilst selective incentives may explain why small firms join associations, it cannot explain why larger firms do so. We should also note Olson's observation that business groups would often be smaller and, therefore, have a 'collective' incentive to organise. In other words, firms would not join them simply for the 'selective' benefits.

⁵ An earlier paper by Bennett (1995, pp. 251-279) *The Logic of Local Business Associations* examined the Chamber movement, and again found evidence of Olsonian behaviour.

There are, therefore, limits to what can be expected from voluntary associations by a reliance on self-development alone. Whatever the inadequacies of associations from the viewpoint of Government, their main concern will be the survival and business strategy as seen by the association's management (Bennett, 1997c, p. 29). This is reinforced by the limited resources that associations can raise from members in a voluntary system. As a result, "smallness, fragmentation and competition between associations are endemic characteristics of the association market. Whilst federations, mergers and unified bodies may develop, their usefulness as perceived by members is often quite limited and they are thus inherently unstable" (Bennett, 1997c, p. 29). In addition, the nature of association decision making and governance is inherently slow with inbuilt inertia and 'path dependency'. Smaller associations tend to be more 'member' or 'council driven' and more resistant to change. Despite this, associations have a strong interest in increasing their involvement with, and influence on, government policy and regulations (Bennett, 1997c, p.30). They are, therefore, caught in a dilemma of satisfying members' demands whilst also improving their relations with Government. Indeed, this dilemma "may marginalise the often rather different emphasis of the priorities developed by Government" (Bennett, 1997c, p. 30).

Bennett's paper *The Relation Between Government and Business Associations in Britain: An Evaluation of Recent Developments* (1997c, pp. 5-33) evaluated Heseltine's policies to work more closely with business associations, in particular trade associations, using a representative sample survey of associations across all main sectors. Particular emphasis was given to an evaluation of the DTI 'Guide to a Model Trade Association' and to the broad objectives of Government 'sponsorship' activities with business associations which followed in successive competitiveness White Papers after 1994. Bennett discovered that support was strongest for the objectives of the self-improvement of associations, internal management development, and improving relations with members; it was weakest for the key Government aims of promoting the

competitiveness of their members (Bennett, 1997c, p. 30). Bennett concluded, therefore, that Heseltine's desire for associations to "promote the competitiveness of their members, in any direct sense, or in any major way" was unlikely to succeed (Bennett, 1997c, p.31). The changes to be expected from the Model Association and White Paper initiatives, therefore, were expected to be modest and slow to develop, mainly because the Government's chief objectives (which were selective) did not draw upon the strongest market objectives of associations (which were collective). As a consequence of this, the only way that Government was likely to achieve its objectives was by taking a more direct role. In other words, if Government sponsorship with associations was actively to work, a greater amount of Government involvement and support would be needed through more formal supports or maybe some form of legislation. Bennett notes that 12% of associations supported Government legislation to support associations, and a further 25% suggested financial or other supports. He goes on:

For a traditionally very independent group of bodies this is a surprisingly high level of support for a closer and more direct relation to Government. The new Labour Government could develop this potential if it is serious about long term and sustainable approaches to working more closely with business. It should urgently review some of the options for taking a more direct role that do not rely on self-development and endogenous solutions alone. Voluntary action within a stronger Government support framework appears an option worth detailed consideration (Bennett, 1997c, p. 31).

The Sector Challenge Budget was seen as an important break with the past but, Bennett argues, it was unlikely that the on-off 'challenge' approach would prove appropriate to achieving long term change. It did not fully address the long term resource requirements of associations to respond to Government's needs, nor the

endemic nature of market failures (arising from free rider problems) in the association market for collective services to the members, or potential members; nor did “it address the high and continuing costs and resources pressures that most associations experience in dealing with government and the EC” (Bennett, 1997c, p. 32). Bennett developed such ideas in *Business Associations and their Potential to Contribute to Economic Development* (1998, pp. 1367-87). Here he reviewed the potential contribution of business associations to economic development in the absence of public law status and compulsory membership of chambers found in countries such as Germany. He found that only 8 per cent of associations surveyed provided a broad range of business services. “This is at odds with the desire of the UK government that associations should extend their range of services to help develop the competitiveness of their members” (Bennett, 1998, p. 1383). Bennett’s analysis of the weaknesses of associations suggests “fundamental dilemmas for government policy concerning associations in the United Kingdom” (Bennett, 1998, p. 1385). His argument is that “if government wants associations to play a different role, then this will not be possible by voluntary action alone” (Grant, 2000a, p. 211).

Business Opinion: Boswell and Peters

It could be argued that Bennett’s proposals are too ambitious, not least because of the pluralist and arguably ‘neo-liberal’ context in which business and government operates. They appear out of step with the way in which business is traditionally conducted in Britain. If proposals for business representation reform do not carry the support of business they are less likely to be implemented (an example being the way in which Devlin’s proposals were undermined by concerns at the CBI – a point we return to later). In this context, it is helpful to consider the analysis by Boswell and Peters (1997). They described elite business opinion as, in the main, being divided between three ideological tendencies: ‘revisionism’, ‘liberationism’ and ‘reconstructionism’. In other

words, business is seen respectively as an adaptive partner within a pluralist system, a liberator and pivot of economy and society, and as a focus of social reconstruction. The first ideal-type has a pluralist 'mixed' version of political economy. Numerous balances are envisaged: between diverse sectional interests; between different kinds of economic co-ordination (say, competition, state control and voluntary co-operation); and between plural economic objectives. It discounts the idea of fundamental conflicts between interests and it is desired that business should advance but not at the expense of other major forces. There should be a careful balancing of national macro-economic objectives but with an emphasis on economic growth. In order to achieve this, good relationships are necessary between sectional interests, including national-level mutual restraints and organised negotiation and co-operation. Any necessary reforms will be achieved mainly through education, persuasion and conversion. This tendency of thought is gradualist, incrementalist, voluntarist. It is what is termed 'revisionism'.

The hegemonic ideal-type, meanwhile, makes the greatest demands for the role of business. The central idea is that of business leadership in society by virtue of its vast contribution to wealth creation and liberty. In other words, business enterprise is to be predominating. Freedom is the overarching value and there is a dislike of compromise with government intervention. There is a belief in the free-market economy, a minimum of state control and a maximum of resources in private hands. This ideal-type is referred to as 'liberationism'. The 'transformational' ideal-type, on the other hand, is more concerned with society than the other two and is the most radical. It argues that business should have a useful but subordinate place. Business structures should play their part within a larger organism: they should be socially embedded or integrated. Business and society should promote an overarching social ethic emphasising the values of democracy, justice and social unity (values regarded as essential for the 'good life' in business and society. It is only through greater democratic participation, reduced

inequality and social unification that business can contribute to a healthy society. This ideal type is termed 'reconstructionism'

Boswell and Peter's three 'ideal-types', therefore, can usefully be linked to debates on business representation. The 'revisionists' would most likely be *sympathetic* to representation reform and the rationalisation of association structures. Whether such 'pluralists' would, however, support state-led reform/intervention is another matter. The reconstructionists', on the other hand, may prove more forthcoming. This concept is reminiscent of the ideas advocated by Marquand and could lead to business associations taking on more of a role in, say, education and training. The 'liberationists', however, would be far more sceptical of reform. Along with Margaret Thatcher they would no doubt consider such talk as 'ill-advised corporatism' (not least if led by government.) Of course, even if business leaders are not against reform *per se* they will not necessarily be in favour of *particular* reforms which may be advocated. As Grant and Marsh noted, criticism of Devlin was not confined to those businessmen who advocated minimal state involvement in the economy (Grant and Marsh, 1977, p. 73).

Hypotheses

Having reviewed the literature and outlined the relevant theoretical perspectives three hypothesis become apparent as possible explanations for the failure to reform business associations. Being an archival study of a Qualitative (non-Quantitative) nature it is difficult to have hypothesis in the sense of statements subjectable to tests of statistical significance. As stated in Chapter 1, however, this does not mean the research need go in the direction of *ad hoc* historical descriptive narrative or be lacking in academic rigour. Therefore, a 'middle way' is proposed in the sense of hypotheses as alternative competing explanations which can be used to help interrogate and make analytical sense of the archives. In this sense they will prove useful organisational devices.

The following hypotheses are proposed:

1: 'Structural Inertia'

The accumulated 'structural inertia' is too great to overcome. Olson, for example, believes that a long period of stability has resulted in a large number of associations which outlive their usefulness and where mergers are difficult. In the absence of a war or some other catastrophe, such a situation is *usually* inevitable.

Marquand, however, argues that a shift in culture away from 'market liberalism' could overcome such inertia. This would lead to *and* work alongside greater government action (see below). Mergers and so on would then take place, resulting in 'encompassing associations' (which, on Marquand's definition, are the type of associations needed for more effective business representation).

2: 'The Governmental'.

The DTI seconded a civil servant to serve as Secretary to the Devlin Commission but did little to implement its findings. Indeed, the Commission argued that there was little role for government to play in association reform.

Successful association reform may, however, require systematic government intervention and/or the threat of sanctions (the agenda pursued by Heseltine in the mid 1990's).

It has been argued, however, that Heseltine did not go far enough (See, Bennett 1995, 1997). In other words, a deeper level of Government involvement and support is needed, through more formal supports, funding and legislation.

Alternative viewpoints are that the strength of the British system is its voluntary nature, and/or that substantive government intervention is not feasible in a British context (Marquand's reply to the latter would be that there needs to be a 'culture shift' – see above).

3: Mismanagement of the process.

A further possibility is that Devlin's recommendations were either flawed in principle or practice (eg: unrealistic). Arguably, the Commission concentrated on the wrong issues, and did not take adequate account of (or misinterpreted) the evidence they collected.

In particular, it could be argued that they failed to listen to the warning signals from the CBI. They became too focused on the CBI/ABCC relationship (rather than the more important issues of TA structure and the relationship of TA's with the CBI).

This could be significant for two reasons. Firstly, they may have arrived at better solutions in these critical areas, if this was where they had concentrated their time and resources. Secondly, the 'controversial' aspects of the Report could have put business off, with the result that the rest of Devlin's proposals were not given a fair hearing.

These hypotheses are not, of course, mutually exclusive. Hypothesis 1 and 2 for example, are linked in that structural factors could (perhaps) be overcome by

government support or intervention (although inertia could be so engrained as to make such action pointless or counter-productive). Hypothesis 1 and 2 also focus more on 'structures', whilst hypothesis 3 looks at the micro level. The latter thereby hints at the possibility of business initiated reform in line with British pluralist tradition. This does not, however, discount some linkage between hypothesis 1 and 3 in that inertia may not have prevented at least *some* positive micro level reform if only Devlin had been handled better (this would probably be the line taken by Grant). There could also be linkage between hypothesis 2 and 3 in that Devlin could have advocated more government led reform.

Having reviewed the key literature, outlined the theoretical viewpoints, and developed the hypothesis, we turn in the next chapter to a brief history of business representation, previous attempts at reform, why the Report was set up, and an analysis of its terms of reference, membership and working methods of the Commission.

CHAPTER 4:

The Devlin Commission in Context

This chapter commences with a brief history of business representation in Britain from 1783 to 1971, and a short discussion on previous studies of aspects of the subject. This provides context to an analysis as to how and why the Devlin Inquiry was set up. This is situated within the institutional modernisation discourse of the period. The chapter then looks, in turn, at the terms of reference of the Report, the membership of the Commission, and the approach Devlin took (in terms of working methods, methodology, and evidence collected).

A Brief History of Business Representation in Britain ¹ (1783-1971)

It is helpful to put business associations in their historical context. Britain's pattern of business associability at sectoral and local level has developed over some two hundred years. As Blank puts it:

Businessmen have organised themselves into protective associations since the very dawn of the industrial revolution, and organisations of businessmen have deep roots in British history ² (Blank, 1973, p. 11).

Glasgow is the home of the oldest Chamber of Commerce in Britain. Founded in 1783, it developed from an ad hoc body set up to oppose bills concerning trade with Ireland

¹ Useful studies of the historical development of the pattern of business associability include Blank, 1973; Grant, 1991; Grove, 1962; Kipping, 1972; Middlemas, 1979; Modern Records Centre, 1992; Reid, 1991; Turner (ed) 1984; Wigham, 1973; and Zeitlin, 1991.

² Adam Smith, for example, "speaks with familiarity of combinations in his *Wealth of Nations* which was published in 1776" (Blank, 1973, p. 11).

which were being discussed in Parliament (Devlin, 1972, p. 18). This was followed by Chambers in, among other centres, Manchester, Leeds and Birmingham. (McDonald, 1973, p. 29). Chambers multiplied throughout the nineteenth century and, by 1860, existed in more than 30 towns (Devlin, 1972, p. 18). The movement had, as G McDonald puts it, spread throughout the major commercial and industrial centres of Britain (McDonald, 1973, p. 29). 1860 saw the formation of the Association of British Chambers of Commerce (ABCC) as a national co-ordinating body (Devlin, 1972, p. 18).³

Whilst the Chamber movement was organising itself, a further system of business associations was emerging, on this occasion serving the needs of manufactures in specific fields of production. G McDonald writes (1973, p. 30):

Whereas Chambers sought to represent all commerce and industry within regions, these new trade associations and employers organisations sought to represent manufacturers, regardless of region, who produced similar products, or who operated within the same broad process area

The years 1860-1914 saw a considerable development in the field of trade associations, and they were present in most trades by the end of the period. Over the same timescale, as a result of an increasing trade union movement, businessmen formed employers' associations. There were over 1000 of these by 1914. . Two systems of commercial and industrial representation had, therefore, developed in Britain.

It should be noted that until the First World War the ABCC was the only national organisation able to speak for commerce and industry. (Devlin, 1972, p. 20).

³ C M Norwood, a leading Chamber representative, was elected its President. The ABCC would later be re-named the 'British Chambers of Commerce' (BCC)

The War increased the work of chamber's and trade and employers' organisations and also raised their status. The pressures of wartime were also a factor in the establishment of three national organisations between 1915 and 1919:

1: *National Association of British Manufacturers* (NABM).⁴ This was representative of manufacturing industries with both TA's and individual businesses as members.

Individual members tended to be small businesses.

2: *Federation of British Industries* (FBI). In its penultimate year this had 280 trade associations and 4072 companies as members with 62% of the latter being small businesses⁵ (Devlin, 1972, p. 21)

3: *British Employers' Confederation* (BEC) This concerned itself with only the EO Function with its membership made up solely of national employers associations; mainly but not entirely those involved with manufacturing industry

By 1919 "the pattern of industrial and commercial representation was radically different from what it had been in 1914" (McDonald, 1973, p. 32). The 1960's saw further reform. Changes within the national political and economic environment led industrial leaders to consider a merger of the FBI, BEC and NABM. State intervention in the economy was increasing and this led the government to seek a unified national industrial organisation combining both economic and social elements which could consider major industrial issues as they arose (McDonald, 1973, pp. 33/34).

Industrialists within the FBI, BEC and NABM also desired unity in order to represent the private sector's viewpoint in negotiating prices and incomes policies, in economic

⁴ This was originally known as the National Union of Manufacturers.

⁵ This excludes the 4,535 subsidiary companies whose membership was covered by parent bodies (Devlin, 1972, p. 21).

planning, and in facilitating entry to Europe (ibid, p. 34).⁶ In 1963, therefore, the three organisations appointed Sir Henry Benson and Sir Sam Brown to frame reform proposals.⁷ As a result of the *Report on the Formation of a National Organisation* (1964) an amalgamation of these three organisations occurred, and the Confederation of British Industry (CBI) was formed in July 1965.⁸ As Blank puts it:

The CBI was created, not merely to consolidate the existing national industrial organisations, but to provide a much more active and authoritative body to represent the views and interests of British Industry - parallel with the Trades Union Congress - in the national policy making process (Blank, 1973, p. 223)

The progress of fragmentation completed in 1919, therefore began to be reversed (McDonald, 1973, p. 33). The CBI became the national representative of manufacturing industry. As G McDonald puts it, "It stood at the apex of the trade association-employers' organization structure: and changes within this structure had helped clear the way for the formation of the CBI" (ibid). There was a mood of optimism that "it might be possible to build a more constructive partnership between government and industry in order to create and sustain a more internationally competitive economy". Indeed, the CBI was formed as part of a more general effort "to revitalise and modernise the management of the British economy by encouraging more constructive relationships between government, business and unions".⁹ In a sense,

⁶ Moreover, when the Labour government returned to power in 1964 it encouraged the process of amalgamation (see Grant and Marsh, 1977, p. 25)

⁷ An amalgamation between the FBI and BEC had been considered in 1948 but nothing came of it. Fifteen years later, however, the climate was more favourable, especially after the National Economic Development Council had been set up (Devlin, 1972, p. 21).

⁸ The Directors-General of the FBI and BEC, Sir Norman Kipping and Sir George Pollock, retired, to make way for John Davies as the first Director-General of the CBI. Davies would go onto head the Department of Trade and Industry in the Heath Conservative administration of the early 1970's.

⁹ Preface by Wyn Grant in *The Confederation of British Industry and Predecessor Archives* (1997), Modern Records Centre Source Booklet No 7

therefore, the formation of the CBI fits into the modernisation discourse of the time (a point we return to below).

Whilst the CBI was emerging, the Chamber movement also experienced internal pressures for change (McDonald, 1972, p. 34). They now wanted stronger national representation and Consultants were asked to recommend a scheme which would increase the effectiveness of the Chamber movement at national and regional level. The structure of the movement was, therefore, re-organised as a result of the 1968 Urwick Orr and Partners report. A four-tier structure was adopted. Under the ABCC, twelve regional second-tier Chambers were designated; and twenty-three larger chambers became third-tier “focal” bodies which would assist weaker Chambers in providing a minimum standard of service to member firm.

The retail trade did not have a peak association until the creation of the Retail Consortium in 1967. This was a loose confederation of the Multiple Shops’ Federation, the Cooperative Union, the National Chamber of Trade and the Retail Distributors’ Association. In practice, this was little more than a formal version of the working relationship which had existed for some time. The consortium was strengthened by the decision of the Retail Alliance to join the grouping in 1971.

Previous Studies on Industrial and Commercial Representation

As the Devlin Report puts it: “This inquiry was the first general investigation made of industrial and commercial representation, though earlier studies had been made of particular aspects of the subject” (Devlin, 1972, p.1). The report lists (in addition to the previously mentioned Benson/Brown and Urwick Orr Reports), the 1957 survey of Industrial Trade Associations by Political and Economic Planning (PEP), and the 1968

Donovan Report on Trade Unions and Employers' Associations (this is discussed in more detail below).

Bennett (1997c, p 10) traces the subject back further, stating that “various previous attempts have been made by Government to understand, lever change and encourage the self-development of business associations, almost always focused primarily on TAs”. He refers, for example, to the Committee on Trusts (1918) and Hilton (1919). These concluded “that whilst some sectors were highly organised with effective TA’sthe general pattern was of many small associations with low resources that could not perform their functions properly such that many sectors were marginalised” (cited Bennett, *ibid*) In the words of G Fraser, these were “the earliest attempts by Government to understand, bring about change and encourage the self-development of business associations”.¹⁰

Bennett pays most attention, however, to the 1957 PEP (Political and Economic Planning) study. This was a benchmark study, focusing on TA’s. Its primary focus was on the key role fulfilled by trade associations as an interface between Government and the interests of their members. It also acted as a precursor to Olson and Bennett’s theory of a ‘Collective Action Problem’. PEP stated that the development of trade associations relied upon a balance between centripetal forces, eg those stimulating a sense of internal allegiance and a group consciousness (see Walker, 1995), and centrifugal forces which limit cohesion. The PEP study concluded that the main problem affecting business associations was apathy; that “industry has not so far explored the full possibilities of improving efficiency by co-operating through associations” (PEP, 1957, pp. 248). Furthermore, “in too many cases firms are only dimly aware of their association and remain members through inertia rather than active interest” (PEP, pp. 251-2)

¹⁰ www.lwm.org.uk/proposal.htm (accessed 16/02/03).

Whilst not a report on business representation, the Bolton Report on Small Firms (1971) also criticised business associations as being 'small in membership, ill-financed and under-staffed'. It stated that 'they are hard pressed to perform even the representational and international functions which have traditionally been their main concern. Still less are they able to employ sufficient staff of the quality needed to make an advisory service successful' (ibid, para. 10.17).

The Modernisation of Institutions

It is helpful to consider the issues surrounding business association reform in the context of the general institutional modernisation discourse of the 1960's and 1970's. It was a time of a great reforming agenda, similar to Britain today under Blair, and this included the belief that business associations needed reform. Other attempts at modernisation included:

- *The Fulton Report* (1968) provided recommendations for greater efficiency and effectiveness in the civil service. It was a response to demands for the modernisation of government to arrest Britain's relative decline by copying successful practice from other countries¹¹ It was set up under Harold Wilson's Labour government and was the first comprehensive review of the civil service since the Northcote-Trevelyan reforms of 1854.
- The White Paper *The Reorganisation of Central Government* (1970) was the first official publication of the machinery of government since the Report of the Haldane Committee in 1918. Produced by the Heath administration, it advocated a number of changes in the division of functions between departments and the establishment of a new Central Policy Review Staff. It

¹¹ The Concise Oxford Dictionary of Politics, 2003, p. 81

proposed, for example, the merging of the Ministry of Technology and the Board of Trade in a new Department of Trade and Industry (see below). By the end of 1970 all the changes had been effected.

- There were also attempts to reform trade unions. Both Wilson and Barbara Castle, his Employment Secretary, were convinced that reform in this area had to be undertaken. There were worries about strikes organised by unrepresentative, militant, left-wing shop stewards, as well as considerable lay-offs as a result of strikes in industries such as the Midlands motor trade. Labour began by setting up a Royal Commission under Lord Donovan (see below) and the report was published in 1968. Wilson and Castle, however, believed that Donovan's remedies were inadequate and became convinced that penal sanctions were necessary. Due to splits in the Cabinet and the Labour Party such proposals were dropped and attempts to reform the unions failed. The Heath administration was also determined to reduce the damage done to the economy by strikes. They, therefore, introduced an Industrial Relations Act (1972) which made collective industrial bargains enforceable at law and established the National Industrial Relations Court to enforce them. The passage of the Bill, however, was followed by new records for days lost from work. The Act was fatally undermined and repealed by the following Labour Government.
- Since 1958 the structure of local government had been under almost continuous review. Greater London was reorganised under the terms of the London Government Act (1963). In 1966 two Royal Commissions, one for England chaired by Lord Redcliffe-Maud, the other for Scotland chaired by Lord Wheatley, were set up. They reported during 1969. The Government did not accept the Redcliffe-Maud recommendations and proceeded with their own

proposals for reform in England and Wales which came into operation on 1 April 1974. Legislation which broadly conformed to the Wheatley Commission's recommendations for Scotland came into force in May 1975.

- The Wilson Government (1964-1970) also attempted to reform the House of Lords. This led to opposition from both Conservative backbenchers who were determined to preserve the full powers of the Second Chamber, and left-wing Labour backbenchers who wanted to abolish the Lords altogether. The Government decided to abolish the Bill. Richard Crossman, meanwhile, introduced several reforms to try and to increase the efficiency and influence of the House of Commons. A number of select committees were established, some to cover particular policy sectors (such as science and technology) and others particular Government departments (such as education). One was also appointed to cover the recently appointed Parliamentary Commissioner for Administration (PCA), better known as the ombudsman. There was, therefore, a more extensive use of select committees than there had been previously.

The formation of the CBI (discussed above) was itself a product of this mood for modernisation. It is interesting, however, that whilst the government advocated and (tried to) introduce trade union reform there was no such intervention during this period to reform business associations. One of the arguments of the thesis is that government and business operates within a pluralist 'voluntary' framework. The same traditionally applied to trade unions; many who studied British industrial relations until the 1970's terming the system a 'voluntary' one (or collective *laissez-faire*). This would, however change in the 1980's: the Thatcher government introducing a series of Employment Acts putting the unions within a tighter legal framework. The question, therefore, is: why has the state been prepared to intervene in the case of the unions, but not business associations? Essentially, trade union reform involved making the unions *less powerful*,

whilst business association reform would often (although not always) be seen about making them *more powerful* (or at least more *influential*).¹² Therefore, both intervention in the case of the unions and ‘laissez-faire’ in the case of business associations could be seen as consistent with a neo-liberal agenda. There was also a demand from the public for union reform. As Sked and Cook note, the Wilson Government were aware that public opinion was on their side (1993, p. 229). Trade associations in contrast were not a salient issue. There was also recognition by government that union reform was necessary but this was less the case with business associations. Or, at least if reform was needed, it was to the advantage of business rather than government. In other words, in terms of a ‘cost/benefit analysis’ it was not deemed worthwhile for government to get involved (a situation not helped by the pluralist mindset in which government operated).

A series of ‘What’s Wrong With’ books were published by Penguin in the early 1960’s. These included, *What’s Wrong With the Unions?* by Eric Leonard Wigham (1961), and *What’s Wrong with Parliament?* by Andrew Hill (1964). There was no such book on business associations but Shanks articulated some points on TA’s in *The Innovators* (1967). Here he argued that they “suffer from the same vices of excessive fragmentation and defensive-mindedness which characterise many of our trade unions. By and large, British industry suffers from too many trade associations, too high a proportion are still primarily concerned with some form or other of price maintenance, and too few do enough to help their members in improving efficiency” (1967, pp. 184/5). He added: “We have tended in Britain to try to run both our trade unions and our trade associations on the cheap, and in neither case has it paid” (1967, p. 185).

¹² The Thatcher government, for example, would abolish the ‘closed shop’ (eg: compulsory trade union membership). It could be argued that compulsory chambers membership would be another closed shop.

Why was the Devlin Commission Set Up?

Grant and Marsh write that it was “concern about the untidiness and shapelessness of the British system of industrial and commercial representation that led the Confederation of British Industry and the Association of British Chambers of Commerce to commission an enquiry into its effectiveness” (Grant and Marsh, 1977, p. 72/73). Whilst undoubtedly true, we must delve more deeply. G McDonald provides a helpful analysis in *The Report on the Commission of Inquiry into Industrial and Commercial Representation – The Devlin Report of 1972: An Historical Background* (1973, pp. 29-37). The 1968 Consultant’s Report had recommended that the Chambers of Commerce seek public law status as on the continent (the ABCC accepted this recommendation in 1971). Enabling legislation, passed by Parliament, would have allowed the Chambers to become effective spokesmen for all business within their area, *vis a vis* local and regional government. This possibility of public law status, coupled with the recent reorganisation scheme, suggested to certain groups within the Chambers that they could conceivably accommodate the CBI at the top tier of their own movement. The CBI were not attracted by such a prospect but at the same time they were considering whether further rationalisation in industrial and commercial representation may be necessary in view of changing political and economic environments.

Industrial and commercial leaders wished to negotiate with government on national and regional planning policies from a position of strength. Entry to the EEC required effective Brussels representation in order to facilitate British penetration of the Common Market, to influence Europe on free trade, and to protect domestic British interests. Attempts to control inflation by prices and incomes policies, meanwhile, required a need to monitor prices, costs, productivity and wages trends, and to study them together in detail through negotiations with the TUC and Government. The

increase in social legislation added to industry's costs; and representation at the ILO, OECD and other international bodies continued to be necessary. Therefore, as G McDonald puts it:

Increasingly British business leaders came to believe that industrial, commercial, financial and social questions could no longer be considered in a fragmentary fashion. The idea took hold that the whole structure of industrial and commercial representation in Britain - the Chambers, trade and employers' associations, the CBI, ABCC, and the various other bodies, should be examined to see if a more orderly and effective structure could be devised (p. 35).

The CBI Annual Report of 1970, meanwhile, points to three reasons for the origins of Devlin (p. 75/6).¹³ Firstly, the inquiry was, in part, responding to the suggestion in Benson/Brown (1964) that a task of the new organisation (ie, the CBI) should be to arrange "an examination of the numerous organisations which were designed to assist those engaged in industry, trade and commerce with a view to *eliminating duplication*" (my italics). Whilst giving evidence to Devlin, John Davies, Secretary of State at the DTI and former Director-General of the CBI, accepted that he was the initiator of the original CBI moves to take up the recommendation of Benson/Brown that the whole pattern of industrial and commercial representation in the UK be looked at (MSS 230/1/F462).

Secondly, the Donovan Commission's Report (1968) on Trade Unions and Employers Organisations had seen a need for changes in the structures of both types of organisations. Thirdly, and most importantly, companies within the CBI provided a significant stimulus for reform. As the Annual Report puts it (p. 76):

¹³ CBI Annual Reports 1965-1995, Devlin Archive, Modern Records Centre, MSS. 200/C/4/G4.

Many companies have taken the view that the number and variety of bodies seeking support for representative functions is embarrassing to them, while on the other hand some major sections of industry were unable to *speak with a single voice* (my italics)

The Report states that the existing structure of representative bodies was clearly not the result of a deliberate or logical process, but rather historical growth, and “that in many areas it reflected past rather than future industrial patterns and functions” (p. 76). John Partridge, the then President of the CBI, refers in his introduction to the Annual Report to an awareness, “that in pressing the need for greater efficiency in management and trade union organisation we should not regard the structure of employers organisations as impervious to change or capable of improvement” (p. 7).

In the CBI Council debate of March 1973, the Director-General stated that the main reason for setting up the Commission had been to examine closely the adequacy of EO and TA representations. There were many highly efficient large and small EOs and TAs but far too many small organisations not able to provide an effective and efficient representational service to their members (MSS 230B/3/3/3). Sir Anthony Norman, who had been personally involved in the setting up of Devlin, said that the original intention was to review, after the creation of the CBI, the quality and structure of business representation in relation to both present and future needs, especially in view of the increasing amount of involvement with government and the prospect of EEC entry. The CBI had seen the growth of the trade unions’ use of monopoly powers, and felt a need for better communications to inform society as a whole of the vital importance of the business sector (MSS 230B/3/3/3).

Alastair Macdonald argues, however, that Europe was not a consideration when it came to the setting up of the Commission (*Interview*, 22 Sept 2004).¹⁴ He can hardly recall the subject being discussed around the table at all in the early stages or in the actual work of the Commission. Although there was a great deal in the Report about the structures of associations in Europe (eg: France, Germany and so on), this was testing the hypothesis as to “whether it was possible to go for a very structured organisation in the UK” (*interview*, 22 Sept 2004). It would appear sensible, therefore, not to exaggerate the importance of Europe. Macdonald lists instead three factors which *did* lead to the creation of Devlin, and these in conclusion serve as a useful summary (*Interview*, 22 Sept 2004):

1. The idea that many companies were paying a lot of money to a lot of poor associations
2. The view that the Donovan Enquiry had concentrated on trade unions at the expense of trade associations. There was a feeling that trade associations had been left out (we should clarify Macdonald’s point here: Donovan was only looking at EO’s).
3. The view that there was a mismatch between trade associations and CBI activities, and those undertaken by the chamber of commerce movement. In other words, could a better way be found of working together between trade associations and chambers of commerce. Such feelings were particularly strong within the CBI. Opinion was, however, mixed within the chambers as to whether they should ‘come together’ with the CBI (some chambers did not even want a national body for the chamber movement!)

Reasons 1 and 2 are broadly consistent with those outlined in the CBI Annual Report (1970 – see above). Explanation 3, however, is not made clear in the existing literature.

¹⁴ Macdonald was the Secretary to the Devlin Commission – see below.

It provides, therefore, a possible explanation as to why the Commission focused to such a large extent on the CBI/ABCC relationship, despite the views of some of their later-day critics. We will return to such issues later in the thesis.

Devlin's Terms of Reference

The CBI and ABCC, therefore, sponsored a Commission of Inquiry into Industrial and Commercial Representation in January 1971, under the Chairmanship of Lord Devlin. The funds for the report were provided by companies, employers associations and chambers of commerce (MSS 230/3/8/16). The Commission's first meeting held on 8th March 1971, for example, refers to £90,000 having already been raised by associations and companies (MSS 230/1/H1). The Report itself states:

Our work was made possible by the generosity of many companies, as well as organisations, from both industrial and commercial circles who gave generously towards the fund for the establishment of the Commission. We are particularly indebted to the Imperial Tobacco Group which kindly provided us with offices.... (Devlin. 1972, p.1)

Indeed, Macdonald recalls that Imperial Tobacco had just moved into offices in Grosvenor Place and had five spare rooms which they gave free of charge to the Commission. (*Interview with Macdonald, Sept 22, 2004*).

The Commission were set to work with specific terms of reference. These were as follows (Devlin, 1972, p. 1):

To review, as a matter of urgency, the present state of industrial and commercial representation in the United Kingdom, such a review to include Trade Associations, Employers' Organisations and Chambers of Commerce and the national bodies, ie the CBI and the ABCC, at national, regional and local level.¹⁵ Bearing in mind that changes have occurred and are likely to occur in the structure of Industry and Commerce and the relationship between them and Government, to examine the effectiveness of the present system of industrial and commercial representation with particular regard to:

- (i) Representations to Government, both national and local
- (ii) Relations with Labour
- (iii) Relations with the public
- (iv) Service to members
- (v) International affairs

and to report thereon and make recommendations

As the Report puts it, these heads comprise five of the main functions of employers association (Devlin, 1972, p. 3). Interestingly, as Devlin points out, the most important function of an association is not mentioned. This is because it is not a representational function and, anyway, as they put it, it goes without saying (Devlin, 1972, p. 3). This 'sixth' function is to provide a meeting place for businessmen with common interests where they can gather and exchange views. A survey of small firms carried out by Devlin found that 26 per cent of those questioned saw "contact with other

¹⁵ The Report clarifies this further, stating that "in defining the areas to be covered by the inquiry we decided to concern ourselves with bodies which were collective, corporate and representational. That is to say, bodies which are concerned with furthering the combined interests of enterprises engaged in a particular activity especially by representing their views to Government and other public bodies". Therefore, TA's, employers' organizations, Chambers of Commerce and national bodies such as the Confederation of British Industry or the Association of British Chambers of Commerce were within the range of the inquiry. However, bodies like research associations, not representational in their function, and professional or technical institutes, where membership operates on an individual basis fell outside the remit. They also assumed that their inquiry was not about organizations which pursued campaigns aimed at achieving a "once and for all" purpose (Devlin, 1972, p. 1).

companies” as the most useful service which an association affords (Devlin, 1972, p. 3). The Report states, “We have to report and recommend on representational functions only, but this does not mean that we have to put all other functions out of our mind” (Devlin, 1972, p. 3).

At their first meeting, the Commission had noted that although they should not comment on the efficiency with which an individual association provides services they may conclude that so many associations were providing services of a particular kind in such a fragmented way that it was impairing the overall efficiency of the organisations (MSS 230/1/H4/5) There was also some discussion as to the lack of clarity in the terms of reference regarding effectiveness and international affairs. Did it mean the communications between British representational bodies and their counterparts overseas; the differences in structure and function of British and overseas organizations; or the international trade aspects of the activities of British organizations? The Commission felt that it would welcome further guidance from their sponsors regarding this (MSS 230/1/H4).

The Report itself elaborates on the fourth enumerated function: namely, service to members. It states, “This inquiry is concerned with representation and the provision of services is not a representative function. Moreover, the quality of services provided depends more upon the efficiency of the individual association than it does upon the nature of the system of which it is a part. We have been careful not to concern ourselves with the efficiency of any particular body. We have no mandate to examine this” (Devlin, 1972, p. 3). Nevertheless, the Commission did not consider the fourth function as irrelevant to their task, instead seeing it as a reminder by their sponsors “that in considering what is the best system we are not to ignore the fact that the life of an association depends largely on the range and quality of the services which it provides for its members. We do not forget, moreover, that quality of service does not depend

entirely on the efficiency of the individual association; the structure of the system may at some point (e.g. whether it is so designed as to allow for the pooling of services where that is desirable) have a direct influence” (Devlin, 1972, p. 3).

The Commission conclude that of the functions listed within the terms of reference the most important is that of representations to Government, Indeed, they conclude that a system most effective at this is likely also to be the best for all functions taken together (Devlin, 1972, p. 3). The Commission therefore look at the subject chiefly in terms of relations with national and local Government. It should also be noted that Devlin were required by their terms of reference to treat the review “as a matter of urgency”. At the Commission’s first meeting, therefore, a timescale of 18 months is suggested (MSS 230/I/111). ‘Urgency’ is also interpreted to mean that the enquiry should be one of fundamentals, as opposed to details. The Report states:

The field is too large to make it possible for us within any reasonable span of time to provide detailed solutions. We have tried to uncover the fundamental questions, to formulate the principles on which we think they should be answered, and to recommend the machinery which can find the answers in specific cases (Devlin, 1972, p. 4).

The terms of reference clearly state that the CBI and ABCC along with trade associations and employer’s organisations were within the Commission’s remit. One argument (as outlined in Chapter 2) is that the Commission over concentrated on the CBI (in particular, its merger with the ABCC) when the more pressing concern was trade association reform. It is clear from the terms of reference that they could not have simply ignored the national organisations. However, whilst outlining the flaws of the CBI/ABCC structure, they could have made clear the priority of trade association reform, and put the formation of a CBB (Confederation of British Business) as a longer

term (and perhaps less important) objective. Indeed, outlining the problems with the system of industrial and commercial representation *as a whole* but restricting any recommendations to trade associations and employers organisations *only* on the grounds of (a) priority and (b) not confusing the issue, would probably have been consistent with the terms of reference. On the other hand, concerns about a ‘mismatch’ between the CBI and the ABCC were a factor in leading to the Commission and perhaps could not be ignored.

As is often the case with wide terms of reference, when the Commission were drafting the Report they had to keep going back to check what they were doing was within the terms (*Interview with Macdonald, 22 Sept 2004*). Essentially, however, the Commission “followed their noses”, and there were not many occasions when it was suggested anything was out of the terms of reference (*interview, ibid*). It is important, therefore, that we do not exaggerate their significance.

Carrying Out Its Remit

At their first meeting, Lord Devlin suggested that there were two ways of carrying out their remit (MSS 230/1/II4). Firstly, they could work from the centre outwards and build a ‘map of the area’. The Commission would look first at the relationship between the CBI and ABCC; then at the relationship between CBI and individual trade associations; then the relationship of individual trade associations to each other; and, finally, the relationship of the chambers of commerce to each other. Secondly, they could concentrate on obtaining the views of outside interests on each of the Commission’s terms of reference: eg representations to government and so on. It would be difficult, Devlin acknowledges, to ask for the views of the public on the adequacy of representation, or to cater adequately for the international aspect of the terms of reference. The Commission decided to take the first approach, starting with the CBI and

the ABCC (MSS 230/1/H5). An interesting point to ponder is whether a different kind of report would have arisen if had they decided upon the second approach. It should be noted that Devlin's summing up of the first meeting refers to "a lot of overlap" between the two systems (MSS 230/1/H5). The importance Lord Devlin attaches to reducing overlap between the CBI and the chamber movement is, therefore, apparent from the very start of the Commission's deliberations. .

Membership of the Commission

It is helpful to look at the membership of the Devlin Commission, not only to provide context but also to help explain why they came to the conclusions they did. The members of the Commission, therefore, were as follows (MSS 230/3/8/16; Who's Who, 1974):

- Lord Devlin (Chairman). Patrick Arthur. Called to The Bar 1929; KC, 1945; Prosecuting Council to the Mint 1931-39; Legal Department, Ministry of Supply, 1940-42; Junior Counsel to the Ministries of War, Transport, Food and Supply, 1942-45; Attorney-General, Duchy of Cornwall, 1947-48; Justice of the High Court, 1948-1960; President, Restrictive Practices Court, 1956-1960; a Lord Justice of Appeal, 1960-61; a Lord of Appeal in Ordinance, 1951-64; Chairman of the Press Council, 1964-69. Devlin also served on numerous Commissions and Committees of Inquiry from 1949. These included the Committee of Inquiry into the Dock Labour Scheme, 1955-56, and the Committee of Inquiry into the Port Transport Industry, 1964-65.
- Anthony Howitt. Senior Executive Partner, Peat Marwick Mitchell Management Consultants Ltd from 1957. He was also a Member of Council of the Institute of Management Consultants (from 1964); the Institute of Cost and

Management Accountants (from 1966); and the Management Consultants Association (from 1966). (Howitt was the only member of the Commission still alive in 2004).

- Sir Patrick Macrory. Joined Unilever Ltd, 1947; Secretary, 1956; Director 1968-71. He was a member of the Northern Ireland Development Council, 1956-64; Director, Rothman Carreras Ltd, 1971 - ; Director Bank of Ireland Group, 1971 -; Chairman of United Chrometanners Ltd, 1971 - .
- Lord Netherthorpe. James Turner. Chairman, Fisons Ltd (1962-1973). Deputy Chairman, Richard Costain Ltd. Director: Lloyds Bank Ltd; Director Abbey National Building Society; Director Streetley Co Ltd. President, National Farmers Union, 1945-1960. President of the International Federation of Agricultural Producers, 1946-48. He served on the NEDC from 1971.
- Sir Leslie Robinson. Industrial Adviser to J Henry Schroder Wagg and Company since 1964. Chairman, EDC for Electrical Engineering, again since 1964. Vice- Chairman: George Cohen 600 Group; Vice Chairman Ransome & Marles Bearing Co. Formerly Deputy-Secretary, Ministry of Supply, 1953; and Second Secretary, Board of Trade, 1955-1963. He was a member of the Export Guarantees Advisory Council from 1969.
- Allen Stock Formerly Managing Director and later Chairman (1959-1969) of the Morgan Crucible Company Ltd. Chairman, London Chamber of Commerce, 1958 – 1962. Member of the Post Office Users' Council 1966-69.

The Director of The Commission was Tom Fraser. He became Chairman of the Economic Development Committee for the Wool Textile Industry in 1970. He had previously been Industrial Director at the National Economic Development Office from 1962-1970. He also served on the Board of Trade (Central Price Regulation Committee) in 1946, and from 1947 was Secretary of the Wool Textile Delegation and Wool (and allied) Textile Employers Council in Bradford (the appointment was changed to Director in 1958). He was a member of the British delegation to the International Labour Conference in Geneva in 1953, 1954, 1956, 1957, 1959, and of the European Regional Conference, ILO, in 1955. He also belonged to the BBC North Regional Advisory Council from 1960-62. Following the Devlin Commission he would become Principal of the Advice Centre (see Chapter 5).

Fraser was assisted as Secretary by Alastair Macdonald, a civil servant on secondment from The Department of Trade and Industry (DTI).¹⁶ He held the position of 'Principal' in the Department at the time. He worked for many years as a civil servant in economic Departments and had been a journalist on The Financial Times (1963-68). More recently, he was Director-General for Industry (formerly Deputy Secretary) at the DTI (1992-2000). He also wrote *The Business of Representation* (2001) and carried out a review of representation in the UK Forest Industries (2003). He has been a Civil Service Commissioner since 2001.

Why was a civil servant seconded? Macdonald recalls how there had recently been a merger of Department's (eg: the Board of Trade and the Ministry of Technology – see below) and that there were simply too many civil servants of his level. His personnel side had made it 'absolutely clear' how relieved they were to receive a letter

¹⁶ The report refers to the assistance Fraser and MacDonald received from the following: Mr. R. J. H. Randall, Miss P. J. Betts, and Miss G. A. Eggleston. In addition, there was "valuable part-time assistance" from Mrs. Helen Easton, Mr. Randolph Kent, Mr. Christopher Bellingham, Mr. Roger Thorn and Mr. Robert Todd (Devlin, 1972, p. 2)

asking if the Department could second someone to work for the Commission. In other words, it took a problem away (eg: too many staff) for a couple of years (*interview*, 22 Sept 2004). Whilst a piece of work the DTI considered worthwhile, we should not, therefore, read too much into the secondment of Macdonald. The government did not have any role or influence in encouraging the Commission to be set up. It was entirely down to the CBI and the ABCC (in particular the former). Neither did the government have any view as to what they wanted the Commission to say: they just let them get on with it (*interview with Macdonald*, *ibid*). As Macdonald puts it, at the time of Devlin the government had a “pretty disengaged view towards industry”. The government was looking to the *private sector* “to sort itself out” (*interview*, *ibid*).

It will prove useful to say a brief word on the DTI (until 1970, the Board of Trade).¹⁷ This is, after all, the government department of most relevance to this thesis.¹⁸ The DTI’s origins can be traced back to 1621¹⁹, and the first President of the Board of Trade was appointed in August 1786: namely, Lord Hawkesbury (from 1796 the Earl of Liverpool). During the 20th century greater state intervention in commercial and industrial affairs led to specialised functions being formed into separate ministries (for example, the Ministry of Labour ((1918)), the Ministry of Transport ((1920)), the Ministry of Fuel and Power ((1942)) and the Ministry of Technology ((1964))). The Department of Trade and Industry, meanwhile, was created on the 20th October 1970 by Edward Heath’s Conservative administration. This new department combined the trade and industrial policy functions which had previously been carried out by the Board of Trade, and the Ministry of Technology. The Department’s first Secretary of State was

¹⁷ For a more detailed history see the DTI website (www.dti.gov.uk/about_dtu_history.html). Also, Grove, although now rather outdated, provides an interesting historical insight (1962, pp. 83-124)

¹⁸ As Boleat, for example, puts it, this is the government department of most relevance to trade associations, as it is the sponsoring department for most sectors. The Department also has responsibility for trade association policy” (www.martex.co.uk/boleat/links.htm, accessed 12/07/03)

¹⁹ This was when “The Committee of Privy Council for Trade and Foreign Plantations” was set up.

John Davies, whom, as previously mentioned, had also been the first Director-General of the CBI upon its formation in 1965. Davies, therefore, was the Secretary of State when the Devlin Commission was appointed in January 1971. He was replaced by Peter Walker on the 5th November 1972, with the Devlin report being published 11 days later on the 16th. The Department's of Trade and of Industry would exist as separate departments (each with their own Secretary of State) between March 1974 (when Harold Wilson returned to power) and June 1983 (when they were reunited following Margaret Thatcher's second election victory).²⁰ When Michael Heseltine was appointed to the DTI in April 1992 he chose to revive the title of President of the Board of Trade, rather than the now more usual title of Secretary of State.²¹

The Approach of the Commission

The Devlin archives and the Report itself provide information on the Commission's working methods and from whom they collected evidence (Devin, 1972, p. 1, pp. 85-88; Modern Records Centre, *MSS.230/3/8/16*). The Commission made use of previous studies on aspects of the topic (eg the PEP survey, the Benson/Brown Report, the Donovan Report, and the Urwick Orr Report). As part of its investigations they also thought it useful to try and find out details of the resources and functions of *all* representative bodies in the UK. They, therefore, sent a questionnaire to all

²⁰ Indeed, the reality was even more complex than this. A Department of Energy was created by the Heath administration on 8 January 1974 from the energy divisions of the DTI. This came about as a result of the oil crisis but remained in operation until John Major won the 1992 General Election when it was subsumed back into the DTI. Furthermore, Wilson, in March 1974, actually split the DTI in *three*, with a separate Department of Prices and Consumer Protection in existence until Thatcher came to power in 1979 (its responsibilities then reverted back to the Department of Trade).

²¹ During the Thatcher years the powers of the DTI were significantly reduced, indeed some argued for the Department's abolition. This view is not necessarily restricted to the Conservative right. With echoes of 19th century economic ('Gladstonian') Liberalism, Charles Kennedy, leader of the Liberal Democrats, has argued (speech to *The Social Market Foundation* on 15 July 2003) that the DTI is a 'corporatist' relic on the side of the producer, and that it should be replaced by a Department of Consumer Protection and Enterprise.

representative bodies they could trace (MSS 230/3/8/16). Almost 2,500 organisations were covered by the survey and replies covered 1,680 (MSS 230/3/8/16).

At an early stage, detailed questionnaires were sent to 95 major associations (those well known in the business world). They were asked to supply factual information about themselves (and their affiliates). Later in the Commission's work, a shorter questionnaire was sent to a further 1,780 associations whose names were lifted from local directories. The Department of Employment kept a list of those concerned with industrial relations but this did not include organisations that were simply TAs. There were, however, various directories of associations from which it was possible (by going by the public title of the body) to identify those which were 'probably representative associations'. From these sources the Commission compiled their list (Devlin, 1972, p. 24). Questions asked in these questionnaires covered income, staffing levels, whether they were undergoing *changes in structure*, contacts with other EO's, and the scope of the organisations' activities (Devlin, 1972, p. 123).

The Commission also considered it useful to find out how companies (in particular, smaller companies) rated the numerous services on offer by TA's, EOs and Chambers of Commerce. It asked the CBI to circularise the small firms within its membership. The May 1972 issue of *CBI Smaller Firms Bulletin*, therefore, included a brief questionnaire where companies were asked if they were members of any TA's, EOs or Chambers (as well as being direct members of the CBI) and, if they were, how they rated the services which were provided. Around 4,500 companies were sent the questionnaire.

The Commission received a heavy volume of written evidence. In total, 128 papers of written comment were received (Devlin, 1992, p. 1). More specifically, written evidence was collected from:

- 5 Government Departments (the Department of Education and Science; the Department of Employment; the Department of Environment; the Department of Trade and Industry; and the Ministry of Agriculture, Fisheries and Food).
- National bodies such as the CBI, ABCC, and the National Chamber of Trade
- 14 Chambers of Commerce (such as those in Birmingham, Bristol, Glasgow and London)
- Trade Associations
- 25 individuals including academics and Town Clerks

Verbal evidence, through the use of interviews, was also substantial. The Commission met on 86 days and interviewed 332 witnesses (Devlin, 1972, p.1). They visited Birmingham, Glasgow and Leeds, and staff visits were also paid to many other parts of the country (ibid). Witnesses who had discussions with the Commission included:

- The 5 previously mentioned Government Departments
- 3 official bodies (the British Standards Institution, the Commission on Industrial Relations, and the National Economic Development Office)

- 4 National Organisations (ABCC, CBI ²², National Chamber of Trade, Smaller Business Association)
- 50 EO's and/or TAs
- 6 Chambers of Commerce (Birmingham, Glasgow, Leeds, London, Midland, Scottish)
- 32 individuals

Members of the staff, meanwhile, visited the following Chambers (Bristol, Cardiff, Manchester, Liverpool) and the following Regional Offices of the CBI (South Western Region, Welsh Region, North West Region). ²³

The Commission also visited several countries abroad so as to gain an insight into the pattern of representation in other countries. Visits were made to Belgium, France, Germany, Holland and Italy (therefore 5 of the then 6 members of the EEC - not Luxemburg), alongside Switzerland and the United States. Discussions were held with representatives of the Commission of the European Communities, the International Labour Organisation and the Organisation for Economic Co-operation and Development; with Government Ministers and officials; and with chambers of commerce and Industrial Representative bodies (MSS 230/3/8/16).

²² Including representatives of Regional Councils in Birmingham, Glasgow and Leeds.

²³ This is what the Appendix 1 of the report says, at least. The 'Press Conference' archive, however, refers the staff visits taking in 7 Chambers of Commerce and 6 regional offices (Modern Records Centre, MSS. 230/3/8/16).

The Three Phases of the Commission's Work

Macdonald argues that there were three phases to the Commission's work (*Interview*, 22 Sept 2004). Up until Christmas 1971 they received a mass of verbal and written evidence. During this period they "probably lost a month or two" trying to work out who existed as trade associations. Fraser was anxious, however, that they should write to everyone to give them a chance to put in their views. Macdonald recalls how Fraser had a particular way of working. He lived in the country and, therefore, at the very first meeting indicated that for the next six months they would work from Monday to Thursday every four weeks. This accumulated a 'paper mountain' of information and a great deal of time was spent attempting to do 'a map of the area': in other words, which associations existed, and whom thought they were affiliated to whom.

Shortly before Christmas 1971, Macdonald developed a paper entitled *Issues for Consideration* (discussed in more detail in Chapter 4). This gave arguments for and against on certain issues, and cited quotes from the collected evidence. Macdonald produced this paper due to the Commission's concern that they had gathered a great deal of information without thinking through what to do with it. This paper helped Fraser and Macdonald start to see the issues 'hanging together' and also helped the Commission more generally. There were some meetings devoted to going through the Macdonald paper page by page with a discussion of the various points. From this, "a sort of jig-saw appeared" of the things Devlin was happy to be thinking of.

From around the 1st March to the end of July, Devlin went into "writing mode". Macdonald provides an account of how he would travel down to Devlin's house on the first train on a Monday morning and would stay there until late on Wednesday night. Between them they would labour their way through the material. It should be noted, in particular, that Devlin wrote a 'good 75 per cent' of the Report. Macdonald's job would

be to talk through a chapter or part of a chapter with Devlin (in other words, to be a sounding board on how he saw things). When they had a chance, Fraser and Macdonald would also write drafts for Devlin. Macdonald would arrive back on Wednesday evening with ‘masses of pages’ which he had taken down on Monday which Devlin had amended and needed to be retyped. There would also be “a whole host of questions that he (*Devlin*) had put wanting further information” and suggestions of areas where Fraser and Macdonald (and Randall ²⁴) might spend time until Friday night putting together some material. Interspersed with all of this were occasional meetings with the Commission who were never given “every bloody single page”, simply the key chunks.

Conclusion

This chapter has discussed how Britain’s system of business representation has developed over the past two hundred years or so. We outlined the various attempts at reform, culminating in the Devlin Inquiry of 1972. We considered why the Commission was set up: namely, a concern companies were not getting value for money, a view that the Donovan Commission had ignored TAs, and a feeling that there was a ‘mismatch’ between the CBI and the ABCC. We also looked at the terms of reference of the Report and the membership of the Commission. It is clear that nothing of significance should be read into the DTI’s secondment of Macdonald.

We also looked at the Commission’s working methods. In this context, Macdonald provides an insight into its key members. He argues (*interview*, 22nd Sept 2004) that Devlin very much led the Commission, with Fraser and himself undertaking a great deal of the staff-work. He recalls that the whole of the Commission were involved (in the earlier stages) in the collecting of evidence. Once this had been gained, “their role became that of looking at individual chunks of the report to see how they

²⁴ One of the Commission staff (see footnote above).

came across". It was obvious to Macdonald that Devlin was in telephone contact with at least two members of the Commission: namely, Netherthorpe and Macrory. These two individuals, in Macdonald's view, had more of a role than the others. The final few months were spent on 'getting the drafts together'. There were several meetings of the Commission where they looked at the proposed Report (for example, the first chapter and the last chapter) with the rest being taken 'broadly' on trust. A great deal of evidence was collected over the course of the Commission's work, and we turn to this in the following Chapter.

CHAPTER 5:

The Devlin Commission in Action: Evidence, Working Papers, and Minutes.

This chapter looks at the written and verbal evidence collected by the Devlin Commission from business associations, individuals, and Government Departments. The chapter also focuses on the survey of small firms (carried out for the Commission by the CBI) and the questionnaires sent out by Devlin to trade associations and employers organisations. CBI files have also been analysed and provide a useful insight. Similarly, files from the National Archives have proved informative. The chapter looks, finally, at the minutes of the Commission's meetings and the papers they produced. A great deal of the evidence presented originates from the Devlin Commission and CBI archives. In places, however, evidence is cited from the text of the Report. The purpose of the Chapter is twofold. Firstly, to provide an insight into the thinking of business, government and the Commission. To what extent, for example, did pluralist attitudes and an attachment to voluntary associations predominate? Moreover, was there recognition of the need for reform? Secondly, in conjunction with Chapter 6, we will be able to consider the extent to which the Commission ignored or took on board the evidence they received.

The CBI

The correspondence from the CBI is interesting for a number of reasons. Firstly, it provides a further insight into why the Commission was set up (the key issues were the incoherence of the trade association structure, the duplication of effort, and companies having to pay out contributions to a large number of associations), and reveals what the CBI thought the Commission should be concentrating on. Secondly, it shows clear opposition within the organisation to many of the ideas which would form the final Report (eg: the proposed merger of the CBI and the ABCC, and the restriction of direct company membership). Why did the Commission ignore such opposition? Thirdly, despite being 'anti-merger', it is clear that that the CBI were open to (indeed recognised) the need for rationalisation between themselves and the Chamber of Commerce. They proposed that the Chambers join the CBI and have representation on their central and regional Councils. Was this, perhaps, a lost opportunity on the part of Devlin? The correspondence also shows how the CBI was firmly against any notion of 'compulsion' and, in that sense, operated with the parameters of British pluralism.

Internal CBI Correspondence

An *aide memoir* from the CBI to the Commission dated 1 March 1971 pointed out how company dissatisfaction with business representation in Britain commonly took the form of complaints about the embarrassing number and variety of bodies seeking support for representative functions (MSS 230/1/F9). The CBI stated that support was undoubtedly being sought for a number of bodies which were too weak to be effective (MSS *ibid*). At the same time, stronger bodies were having difficulty in securing adequate financial support (MSS *ibid*). It was widely felt that there were too many bodies and that actual or apparent duplication was particularly acute in the engineering industry (MSS *ibid*).

The CBI accepted (indeed 'expected') that Devlin would be looking at the relationship between the CBI and ABCC. They wrote: "A major concern of the inquiry will no doubt be the degree of centralisation desirable at the apex of the structure" (MSS 230/1/F17/18). The CBI also acknowledged that some rationalisation was necessary between the two organisations. There was, they wrote, a significant degree of common membership and in spite of efforts to work together there was some duplication of work, both with regards to home and overseas matters. This, the CBI argued, implied a waste of valuable resources. (MSS 230/1/F18). The CBI added: "We believe that some form of rationalisation could be found, though we do not underestimate the difficulties" (MSS *ibid*).

A letter from H B Grant (who was Regional Secretary, working at the CBI in Glasgow) to John Gough (the Director Secretary of the CBI) develops these points (letter dated 12 October 1971) (MSS 200/C/3/A/5/70). This refers to Devlin's forthcoming visit, and a "strong current of opinion", led by the London Chamber of Commerce, that "what is needed is a complete merger of the Chambers of Commerce into the CBI". The letter goes on:

While I agree that this may well turn out to be the ultimate solution I personally do not believe that it can be achieved in one step. After a long meeting yesterday with Kenneth Atchley and Graham Wylie it is agreed that as a first step the Chambers of Commerce should join the CBI with appropriate steps on our governing bodies and that thereafter the situation should be allowed to evolve until full merger is achieved

Any suggestion of compulsory membership, however, would be firmly rejected, and the CBI's main contribution, at the initial stages, would be to co-ordinate all activities. HB Grant adds: "As we see it the co-ordination effort would include not only the activities

of the CBI and the Chambers of Commerce but also the weaker TAs and EOs and it would be a cardinal principle that unless such organisations were members of the CBI they would not be permitted in any way to participate in our affairs and would not be recognised by Government and its agencies as representative organisations". As outlined below, government was firmly against the notion of recognising only 'approved' associations. It has to be asked, therefore, whether H B Grant's proposal were realistic in this case.

K J Webb (Admin. Dir, CBI London), giving CBI staff thinking on the future CBI/Chambers of Commerce relationship, said there appeared to be three main options (MSS 200/C/3/A/5/85a).

- *A full merger between the CBI Regions and the focal Chambers of Commerce.* It was thought that this would face "insuperable opposition from the Chambers due to the influence of local patriotism and loyalties, and was therefore impracticable"
- *Rationalisation of services.* Avoiding duplication of services provided by the two organisations should be explored. "It would have to be realised, however, that only a very few Chambers are competent to give certain of the services which industry and commerce needed, and to the extent that this is so the CBI might find its members requiring it to maintain services which in other respects could be regarded as duplication"
- *The achievement of a United Voice.* The focal Chambers could, for example, join the CBI and have representation on the Central and Regional Councils. "This would be possible under the CBI constitution and, if it came about, would go a long way to eliminate duplication of work in the formulation at regional level of policy on national and regional issues"

Webb argued that, personally speaking, the third option seemed to be “the most practicable and potentially acceptable proposition”¹. He would appreciate the views of Council, however, and these would be reported back to the Director-General and taken into account in the preparation of the paper to be submitted to the Commission. It can be noted that Webb’s preferred option was very incremental: arguably, more substantive reform was necessary.

At CBI Council, however, the Secretary supported Webb’s argument and argued that “this was the simplest and easiest way of achieving a cut-back of work, a strengthening of the industrial voice, and a reduction of the management time involved in manning Committees”. The Chairman added that until there was a “strong voice” to speak to Government the latter may brush aside views contrary to their own, as had happened with the decision on the Chevron development which was taken without prior consultation with the CBI. . The Council agreed that “there would be an immediate cutting down on duplication of work if the focal Chambers of Commerce joined in the manner proposed by the Chairman”. Taylor added that there was room for the Chambers of Commerce to exist and operate at the local level, and that the CBI should not appear to be attempting to take them over. Webb drew member’s attention to the fact that Devlin had been set up due to the pressure of industry and commerce which required that something be done to rationalise and strengthen industry’s representation and thereby eliminate the current duplication of effort. The Chairman then read a letter from a member which he felt summed-up the views of some industrialists that they were “disenchanted about making so many contributions to diverse bodies without having one in particular to fully represent them”. Webb summed up that the problem came back to a need to cut down duplication and have a single strong voice at national level.

¹ He adds that he would welcome the views of the Council, who could then report back to the Director General, and be taken into account when preparing the paper to be submitted to the Commission.

The Council concluded that “efforts should be made to bring focal Chambers of Commerce into the CBI as a final step to integration”

Fraser's Correspondence with the CBI

Fraser, meanwhile, wrote to Campbell Adamson on 10th December 1971 regarding the forthcoming Commission visit (MSS 200/C/3/A/5/56i). He enclosed summary notes of the issues the Commission wished to discuss (essentially, criticisms which had been made of the CBI by witnesses), and stated that they would “also like to take the opportunity of learning something of your reactions to the possibility of the UK Chambers of Commerce seeking ‘public law’ status”. If time permitted the subject of Small Businesses, in the light of the Bolton Committee report, would also be raised. The summary notes contained the following criticisms of the CBI:

1. ‘That the range of interests covered by the CBI is too wide’

The point here was that by covering such a wide area (eg: manufacturing industry, construction, banking, commerce and the nationalised industries) the CBI often spoke with a ‘muted voice’. It was difficult for the organisation to put forward a view which represented all its members. Some witnesses had suggested that the CBI should only claim to represent manufacturing industry and that other organisations should speak for other sectors of the economy. The Commission said they “would welcome the CBI’s views on the advantages and disadvantages of incorporating City interests and the distributive trades within its membership”. Devlin, of course, eventually recommended the creation of a national organisation with an even wider range of membership.

2. ‘That the membership structure of the CBI weakens the effectiveness of sector associations’

Witnesses had argued that by accepting companies and associations in membership, regardless of their size, the CBI could be delaying the rationalisation of representative organisations at sectoral level. Firstly, trade associations found this an impediment to effectively representing their sector, as companies often by-passed their sector associations, and obtained representation directly through the central body. With reference to company membership, even if the CBI felt that the advantages of direct company membership were too great to be lost, it was not clear why it offered such membership to so many small companies. The mixed membership of the CBI was mentioned by several witnesses as an obstacle in the way of rationalisation between the CBI and Chambers of Commerce. The Commission was “interested to hear the views of the CBI on the possibility of limiting company membership – for instance to major companies only, or to companies above a certain minimum size”

3. ‘The role of the regional offices of the CBI is unclear’

The offices of the CBI were criticised by witnesses on several grounds, not least that they were “not adequately staffed to provide satisfactory services for member associations or companies”. Several witnesses had argued that there was “unnecessary duplication” in the work of the CBI’s regional offices and that of the regional Chambers of Commerce. There is a general impression, the Commission argued, that the two movements are expanding into each other’s fields and that this may not be to the advantage of either organisation.

4. ‘That the CBI Council is too large’

5. ‘That the CBI should take a greater initiative in putting industry’s case to the public’

6. ‘That the CBI should not attempt to speak with a united voice on all issues’

Some witnesses felt that the CBI was concentrating unduly on presenting to the public a consensus in its views on all issues. "Concentration on consensus for public purposes was felt often to result in a watering down of opinions and that the exposure of genuine and reasonably held differences within an organisation representing such diverse interests in the economy could increase credibility". The Commission added that "concern at the prospect of a submergence of minority views seems often, at a minority level, to be a substantial obstacle to the development of rational federal groupings".

7. 'That the CBI has not been as effective in its larger relations work as in commercial matters'.

The CBI's Response

The CBI's response to these objections revealed differences of view between themselves and the other witnesses (particular on direct company membership). They also showed the CBI's scepticism towards public law status. With reference to (1), it was argued that it was 'increasingly unreal' for the CBI to concentrate on manufacturing and transport, to the exclusion of other elements, and that they frequently had to pronounce on matters affecting business generally. Hence they needed these other elements in their policy formation".² Recent examples given included the prices initiative, EEC, Corporation Tax, International Monetary Policy and technical budget representations. The CBI wrote: "We cannot expect these other interests to confine themselves to giving expert advice; they must play a part in final decisions on CBI policy". Moreover, it is stressed that sectional interests are "welcome to make their own representations to their own competent authorities". With reference to (2), the CBI stated that they must 'never let go' of their direct contacts with firms. They did not

² This was dealt with in their memo 'Membership of the CBI'

understand why their mixed membership should be regarded as an obstacle to rationalisation between the CBI and the Chambers. They stated that there was little evidence that firms regarded CBI membership as a preferable alternative to membership of their EOs or TA. If this did happen it would be because of one or more of three reasons:

- there is no appropriate EO/TA
- more relevant service is available from the CBI than from the relevant EO/TA
- a reluctance to be involved in the consequences of national wage negotiations.

The CBI argued that their aim was to “fill gaps which exist because of the inadequacies of so many EOs/TAs, not to compete with them”. Regarding small business, “the CBI seeks to represent the whole sphere of business and industry and can only realistically do so if it includes firms of all sizes and interests. Small firms presumably feel that the CBI is a more effective medium than either their EO/TA or the Chambers of Commerce”.

As far as (3) was concerned, the CBI stated that they hoped to strengthen their regional organisation, as resources allowed. They were not aware of areas where they had expanded into the chambers of commerce field, but noted that the chambers had started to concern themselves with industrial relations matters, where the CBI had great experience. The CBI accepted that there may be some duplication between the CBI Regional Councils and the Chambers when it comes to national issues, with the chambers feeding their views to the ABCC, and the Regional Councils to the central CBI. It was up to companies, they argued, to judge which was the most effective channel. With reference to (6), it was noted that although the CBI would prefer “to arrive at an agreed point of view” in order to maximise effectiveness, it did not suppress

minority views. In appropriate cases, they drew Government attention to them, and did not stop minorities from making their own representations. With regard to public law status for the Chambers, it was doubted whether the business community as a whole would welcome it, and noted that it was hard to see the present government imposing it. Whilst Chambers of Commerce in Western Europe often had public law status, it is accompanied by varying degrees of government control. Unless such status left the Chambers with “virtually unfettered freedom” they would not, in the CBI’s view, be wise to ask for it. On small business, the document concludes:

If the TA’s and EO’s do their job properly in looking after their small firms, there is no justification for separate small firm’s sectional bodies. Our understanding is that personalities and cost have so far left the builders and engineers out of the MFBTE

CBI Comments on Draft

The CBI also commented on the draft report (MSS 230/3/8/10). They argued that much in the Report should be seen as a ‘medium to long-term objective’. The CBI felt that the Report would gain in conviction if it drew a sharper distinction between what was seen as immediately practicable, and that which was aimed at the longer term (eg: the CBB). The CBI also argued that “the work of the CBI’s Regional Councils *viz-a-viz* that of the Regional Chambers” had been seriously under-rated and perhaps misunderstood. The Regional Councils had been in existence for over a quarter of a century. The CBI wrote: “They are concerned with reflecting regional views on national problems but they are also concerned with regional problems, par excellence in Scotland, Northern Ireland and Wales, but *mutatis mutandis* in other areas”. Regional Chambers on the other hand were of very recent origin and it was felt unrealistic to advocate that the proposed CBB should rely on them to the exclusion of the Regional Councils of the CBI, “until there

(was) wide acceptance of their superior competence". The Report quoted local opinion on the respective merits of the two organisations and refers, in particular, to the views of town clerks. The CBI noted, however, that CBI Councils were not normally in touch with 'town clerks' which "we freely see as a role for the individual chambers of commerce". The CBI accepted that the effectiveness of the CBI in the regions was bound up with the amount of staff resources available. CBI staff in the Regions was small, but it was part and parcel of total CBI staff whose resources of knowledge and expertise were used whenever the need arises. The CBI concluded: "We feel that the Report may lack conviction in some quarters if it does not give greater recognition to this factor. For this reason, simply resources available is in our view misleading" (further evidence from the CBI is cited in the Commission paper *Issues for Consideration* discussed later in the Chapter).

The Small Firms Survey

As mentioned in Chapter 3, a survey of small firms in membership of CBI was carried out for the Commission. Out of the 4,500 who were sent the questionnaire, close to 1,400 replied (Devlin, 1972, p. 125). This was over 30 per cent of those surveyed. The Commission recognised that this was not a high enough rate of return to be 'definite about the results' but still considered the survey to reveal interesting information (Devlin, 1972, p. 125). 30 per cent of companies did not belong to either a TA or an EO, with a further 10 per cent belonging only to an EO (Devlin, 1972, p. 125). Companies were also asked to comment on how useful TA services were. Nine different services were listed and companies were asked to list, in order of preference, the five they considered most useful. The most helpful were seen to be the opportunity to make social contact with other companies in the sector, whilst the service with the 'most consistently high rating' was the provision of general market or technical information (Devlin, 1972, p. 125). Although representation to Government was seen to be a leading

function of TAs it was “clearly rated as less useful” than either of the two services mentioned above (Devlin, 1972, p. 125). Among EOs the representative function was even less well regarded, whilst wage negotiation was seen of greater value than any other service (Devlin, 1972, p. 126). 66 per cent of companies claimed that they were a member of a Chambers of Commerce. Its export services were most highly valued, whilst “considerably fewer members gave high places to the representational work of Chambers” (Devlin, 1972, p. 126).

The Chambers

The Chamber movement clearly accepted the need for association reform. A written submission by Hey, the Chief Executive of the ABCC (February 1971), for example, argued that there was a definite case for rationalisation (MSS 230/1/F4). The Donovan Report had said that there were around 1350 employers associations. This, according to Hey, seemed excessive bearing in mind the rationalisation occurring on the Trade Union side (reduced from 1323 at the beginning of the century to 574 in 1971, of which 170 belonged to the TUC). It was ‘odd’, added Hey, that there were 17 associations covering the wire industry, at least 30 covering footwear, 89 for iron and steel, 11 for lace, and at least 28 for the paper industry.

The Chambers also discussed the prospect of a merger between the CBI and the ABCC. There was an acceptance that overlap needed to be reduced: indeed, some limited support for a merger or ‘fusion’. Submissions by the Slough and Bristol Chambers of Commerce, for example, advocated one central organisation (MSS 230/1/F195-201). A note submitted by the Nottingham Chamber of Commerce, meanwhile, did not advocate a ‘full fusion’ of the two organisations but rather the co-ordination of activities at regional level (MSS 230/1/F431). They had resigned from the ABCC in 1966 and made an approach to the CBI to see whether they could affiliate to

it. At the time, the two organisations decided to wait until the outcome of the Devlin Inquiry. The Nottingham chamber was in favour of a closer relationship between the CBI and chamber movement, had little regard for the ABCC, and wished to see a formal link develop at regional level (MSS 230/1/F431). For some time, therefore, they had considered that the two systems should be connected. In July 1968 the Chamber recommended that “steps should be taken to set up an enquiry to discover how best a strong link with the CBI could be achieved while ensuring that each individual Chamber of Commerce would keep its separate identity” (Devlin, 1972, p. 60). In its memorandum submitted to the Commission in January 1972, the Chamber expressed the belief “that an organization of considerable advantage to industry and commerce with a maximum efficiency could be achieved if Chambers of Commerce and Industry in the UK were affiliated to the CBI in such a way as to bring about the co-ordination of activities at regional level” (Devlin, 1972, p. 60).

The Bristol Chamber of Commerce, meanwhile, concluded that there was scope for co-operation and the division of responsibility and that the Chamber should put national issues and matters of general policy concerning industry to the CBI whilst the latter should concentrate on the wider issues and leave the day-to-day dealings with the local and regional affairs to the Chambers of Commerce (Devlin, 1972, p. 60/MSS. 230/3/1/19). The Glasgow Chamber of Commerce, one of the leading members of the ABCC, noted in its memorandum that there was considerable overlap in membership between the two organizations insofar as CBI members will also likely be members of a Chamber (1972, p. 60/MSS 230/3/11). They felt that, with regards to relations with central Government, both bodies were to a large extent trying to do the same thing. The Chamber concluded that, in principle, there was a clear case for establishing a new single organization, but that it would involve serious financial difficulties and that the likelihood of bringing this about on a voluntary basis was not good. The situation would, however, be radically changed should the Chambers be re-organized on a public

law basis (1972, p. 60/MSS 230/3/11). The Slough Chamber of Commerce, meanwhile, submitted that “a single strong and unified body should represent industry and commerce. Such a body must be financially strong enough to maintain specialized technical departments to promote and defend policies beneficial to all sectors of industry” (1972, p. 60).

Public Law Status

In five out of the six EEC countries the Chambers had public law status (the exception was Belgium). In other words, they were not voluntary organisations. Public law status means that no unincorporated body can, as it can in Britain, set itself up and call itself a Chamber of Commerce; the status is protected by law. It carries with it four features: compulsory membership, an income provided by taxation, the duty to provide facilities which in Britain are provided by national or local government or by public bodies specially created, and some degree of Government supervision (Devlin, 1972, p. 47). In some countries, the Government has an express obligation to consult them (Devlin, 1972, p. 14).

Britain’s decision to enter the EEC led some in the ABCC to examine the merits of such status. In May 1971, the Commission were made aware that this was being done. In September 1971 they were informed confidentially that the ABCC had decided that public law status was desirable and in February 1972 the Commission was given a confidential paper on the topic (MSS 230/1/F312). The ABCC argued that it would be advantageous to the chambers as their income would be guaranteed from compulsory membership. Consequently, they would be able to increase the range or quality of services which are offered to members. The first public announcement was made as a ‘Discussion Paper’ on 21 August 1972. The Commission had previously been confidentially informed of its general character and given an advance copy. The Paper was embryonic in character and left the details to be explored. It stated, however, that

“public law status....must mean a radical recasting of the whole of our trade organisation and Chamber of Commerce structure”. The paper went on:

The introduction of this system in Britain would impose a basic structure of rationalisation upon the total Chamber of Commerce and trade association structure. Clear unduplicated lines of communication would have to be established to enable the Government – and the EEC Commission – to be fully and regularly informed of the aspirations, problems and opinions of the whole of British Industry and Commerce

The effect would be to establish a completely representative organisational network in Britain which would put forward the views of its members in a coherent and systematic way with the additional benefit of skilled analysis, comment and comparison

The ‘radical recasting’ was to be obtained by demarcation and a tidying up of ‘territorial boundaries’. The new status would put public law status “in a position to represent all commercial and industrial undertakings in the country”. This carried a possible implication that in any territorial division the Chambers would expect the lion’s share (Devlin, 1972, p. 15). It was contemplated, however, that the CBI would gain some of the extra money which public law status was expected to bring in: “certain CBI activities which are complementary to those best performed by the Chambers themselves would also be levied upon the general fund”. The concrete proposal in the Discussion Paper was that “a small group could be set up with Government approval and, if possible, participate, to examine the concept of public law status for Chambers of Commerce in the UK starting with the points set out in this document and proceeding from there in any direction that it thinks useful”. To conclude, the Chambers acceptance of public law status showed a willingness to move away from the voluntarism of business representation and, if implemented, could have meant a shift from pluralism, at

least in its less interventionist form (We look at the government's attitude towards public law status below).

Trade Associations and Employers Organisations

The Questionnaire

As stated in the last Chapter, an initial questionnaire was sent out to 95 major associations (see Chapter 3). The Commission received, in almost all cases, "comprehensive and helpful replies" (Devlin, 1972, p. 24). These also revealed the 609 associations which were their local or regional affiliates or associations which they housed and serviced (Devlin, 1972, p. 123). From the later shorter questionnaire (sent to 1780 associations) the Commission received 770 replies and these covered a further 206 local or regional affiliated associations (Devlin, 1972, p. 123). It is clear, therefore, that a large number (at least 800) did not reply. Furthermore, 87 associations were reported as having wound up, 40 were completely inactive, 55 organisations were outside the scope of the inquiry, and 21 were returned: gone away, address unknown (Devlin, 1972, p. 123).

How could the 830 who did not reply be accounted for? Interestingly, these included more than a dozen members of the CBI (Devlin, 1972, p. 24). Some of these may have simply had an "allergy to circulars" (Devlin, 1972, p. 24). In general, however, the Commission concluded that this raised "some presumption of inactivity" (Devlin, 1972, p. 24). The Report states:

What it comes down to in round figures is that we have discovered 860 associations which are certainly alive and with 800 more associations affiliated to them. We have discovered 150 associations that are almost certainly dead'

and 830 more who, whether dead or alive, do not feel that they have anything to contribute to an inquiry into their representational activities (Devlin, *ibid*)^{3 4}

The archives, therefore, provide a useful insight into the problems of trade associations. Many did not see the Commission as being worthwhile and were reluctant to co-operate. There was, quite simply, a clear resistance to change. K J Webb, Deputy Director of the Regions for the CBI, chased up some of the Associations to whom Fraser had already sent a reminder. He was unable to get in contact with some of these. His comments in his letters back to Fraser included the following (MSS 230/C/3/A/5/39//MSS 200/C/3/A/40).

- Scale and Weighing Machine Manufacturers. “He (*Whittle, the Secretary*) is a difficult man and sees no good coming out of the enquiry, and in any case objects to giving financial information concerning his Associations, and is not prepared to co-operate”
- Manufacturing Opticians. “Miller, the Secretary, is another difficult chap who thinks the enquiry is a waste of time from beginning to end and does not propose to ask his Council to authorise completion of the questionnaire, and will not therefore be taking any action”
- Graphic Reproduction. “Harrison, the Director, has been off sick for 5 months, and tells me that as a result 5 months work has piled up, including your questionnaire”
- Scotch Whisky Association. “Woodhouse, the Secretary, is notoriously unco-operative, and I think there is little hope of him playing ball”

³ As is shown below, original questionnaires and chasers were sent, not forgetting further chasing up or ‘prodding’.

⁴ These are ‘rounded up’ figures taken from the main body of the Report. They are, therefore, slightly different from the figures cited elsewhere which are taken from the Appendix.

- Scottish Daily Newspapers. “I sense that the original and chaser were consigned to the waste paper basket. They suggest you send another questionnaire, but I must say I doubt whether this was any more than a stalling operation”

As Webb concludes his letter to Fraser: “I have given you details of the reaction to my prodding as I think it is indicative in many instances of the situation in trade associations, and in some instances of their reaction to the possibility of change”.

The Commission’s 865 replies fell into the following categories: 606 TA’s, 75 EO’s and 184 EO/TAs (Devlin, 1972, p. 123). These associations varied greatly in their size and activity, with the National Farmers Union, for example, having a subscription income in excess of £2 million (Devlin, 1972, p. 25). At the other extreme, over 30 associations had no income at all, and 45 did not wish to state their annual income (Devlin, 1972, p. 123). As the Report states, “the typical association in the middle range would have an income of around £5.000 and a full-time secretary, but probably not much more in the way of executive staff” (Devlin, 1972, p. 25). The questionnaire also asked about *formation dates* and revealed that in recent years there had been a substantial increase in the number of associations formed, probably reflecting a merger among associations following the 1956 Restrictive Practices Act (Devlin, 1972, p. 123). With reference to staffing levels, 231 had full time staff of more than one, 311 had part time staff only and 223 indicated no staffing level - usually because they were serviced by accountants or solicitors (Devlin, 1972, p. 123). Many organisations indicated that they were undergoing *changes in structure* such as structural change involving other associations in the past three years (51 associations), or having discussions with other bodies on structure (59 associations) (Devlin, 1972, p. 123). A question was also asked to ascertain the scope of activity.⁵ Most were involved in relations with Government,

⁵ This involved a survey of 100 replies which included 70 TAs, 24 EO/TAs and 6 EOs (Devlin, 1972, p. 123)

public relations, and general advisory and consultancy services (Devlin, 1972, p. 124). However, only 5 were involved with training, 4 with education, and 2 with quality control (Devlin, 1972, p. 124). This contrasted considerably with business associations in countries such as Germany, and demonstrated the difficulty with associations taking on more of a role on productivity and competitiveness matters (we return to this issue in Chapter 7).

Written and Verbal Evidence

A paper submitted to the Commission by BRIMEC (British Mechanical Engineering Confederation) looked at the human factors affecting change in associations, and clearly showed some of the difficulties in pushing through reform (thereby, echoing many of the points made by Boleat and Macdonald – see Chapter 3). As the paper put it:

unless the strong historical and emotional ties which bind many associations to the past, and their members one to another, are taken fully into account, and treated with sympathetic understanding, change will continue effectively to be resisted (MSS 230/1/F259).

The paper argued that mechanical engineering associations, on the whole, were less effective than they should be, due to the wasteful deployment of inadequate resources (MSS, *ibid*). They also tended to have a strong sense of individual identity which often militated against realising the potential within them (MSS *ibid*). Indeed, the creation of BRIMEC had focused attention on the difficulties of bringing about change in free associations of human beings (MSS *ibid*)

In a highly fragmented industry such as mechanical engineering the differences between individual sectors were too great to be reconciled within the framework of a single central body (MSS, *ibid*). The paper suggests that proposals for restructuring in such a fragmented industry would give rise to anxiety in the minds of association

executives (MSS 230/1/F260). Would, for example, their organisations survive? What would become of them if they were made redundant or found themselves in competition with their fellow executives for a much reduced number of rather specialised managerial posts? (MSS *ibid*). The holding of honorary positions also presented opportunities for industrialists to broaden their horizons and participate in the larger affairs of their industry or sector of industry (MSS 230/1/F261). As the paper put it:

One cannot expect association office-bearers to view with equanimity its sudden curtailment or a receding of the further prospect of consideration for appointment to more important standing bodies and the prestige which can follow (MSS *ibid*)

Furthermore, individual company officers who have been actively involved in association affairs and built up good relationships and close working links would need to be assured that these would “not be sacrificed on the alter of tidy administrative arrangements” (MSS *ibid*).

The paper notes that even when associations had constitutions which provided for voting strength equal to industrial strength there was often a convention that business would be conducted on the basis of one man one vote. This tended to restrict larger and (often) better informed companies from carrying well-established views on desirable structural change against the wishes of the simple numerical majority (MSS *ibid*). It was also necessary for important decisions in an association (such as on revised structural arrangements) to be phased to the term of office of an association’s president or other office-bearers. So, for example, a President allowed two years to bring about changes could not be expected to abandon the progress just because he was coming to the end of his term in office (MSS *ibid*). Similarly, incoming office-bearers were reluctant to be stampeded into decisions they have had no time to comprehend, and no president of an association wanted to be manoeuvred into a situation where all he was

remembered for was assisting its death-rites (MSS *ibid*). The paper also notes that in some quarters it was held that a diversity of representative bodies, no matter how inefficient and illogical they may be, provided a better defence against government interference than a single clear-cut and simple structured body (MSS 230/1/F262).

A letter to the Commission by BICEMA (British Internal Combustion Engine Manufacturers Association) ⁶ backed up the argument that BRIMEC had not been particularly successful (MSS 230/1/F360). BICEMA, nonetheless, believed that membership of a trade association must be voluntary. They wrote:

As soon as any kind of legal pressure is put on companies to join any organisation then that organisation tends to lose a great deal of the initiative and enthusiasm which it needs if the interests of its members are to be properly promoted (MSS 230/1/F361).

They did, however, support the view put forward by BRIMEC that some kind of government recognition of associations which meet a reasonable standard might be acceptable. There should not, however, be any element of official control or interference (MSS *ibid*). Such thinking, thereby, clearly demonstrates the pluralist thinking of trade associations. It should also be noted that BICEMA believed that direct company membership of the CBI should cease (MSS 230/1/F363).

The Director of the British Footwear Manufactures Federation, meanwhile, argued that there were too many TAs within their field. He went on:

The scope for rationalisation is there, and the advantages are obvious. But progress is slow. We have loose, ad hoc arrangements with allied organisations which work tolerably well, eg. in making common representations to Government Departments. The system would be much more efficient if we

⁶ Dated 30th July 1971

were all housed in one building, with common secretariat, telephone and despatch services. If this could be achieved, the step to fuller integration would be easier (MSS 230/1/F193)

The NFU (National Farmers Union) referred to the tendency of some industries, particularly agriculture, to have separate organisations for each sector of the UK (MSS 230/1/F193). This was a form of proliferation which led to the wasteful duplication of services. However, they noted that this was based on tradition and probably prejudice and would be difficult to break down (MSS 230/1/F194). A memorandum from the Chamber of Shipping on their relationship with the CBI, meanwhile, stressed the need to “maintain an independent position” (MSS 230/1/F297) and to “retain its separate identity” (MSS 230/1/F298). (Further evidence from TA’s is cited in the *Issues for Consideration Paper* discussed below). Such resistance would clearly make the formation of a CBB difficult.

The DTI

It is helpful to look at the evidence from the DTI. This shows an awareness by the Department of the problems, yet a clear attachment to pluralism and a ‘voluntary’ model of business representation. Members of the Commission received verbal evidence from John Davies, the Secretary of State for Trade and Industry (MSS 230/1/F).⁷ Part of this discussion focused upon the factors determining the effectiveness of representations. Davies believed that these included preparation and an ability to argue the case in depth, supported by a detailed knowledge of the industry matched by some understanding of the processes of Whitehall thought (MSS 230/1/F462). Davies also believed that the directors of senior federations should be of a competence more or less equivalent to that of a Deputy Secretary of the civil service and should be rewarded

⁷ The meeting between Davies and members of the Commission was held in March 1972.

accordingly (MSS, *ibid*). This led onto a discussion of how trade associations and employers organisations could be made more effective (MSS 230/1/F463). Davies argued that the secondment of civil servants for short periods to business organisations and secondment in the opposite direction could be desirable in that parties to any government/industry discussion would become more aware of the factors affecting both sides. Davies felt, however, that according official recognition to trade associations or the establishment of a register would not be practical. The criteria would be too difficult to establish and Government in principle could not deny access at one level or another to those who used to make representations to it (Heseltine would take a slightly different approach in the 1990's – see Chapter 8). Davies was also asked whether Government could encourage such organisations to become more effective by delegating certain tasks to those which had shown themselves capable of taking on such responsibilities. Whilst he accepted that this was feasible he believed that there would be relatively few tasks which could be considered for this purpose and that there would always be a problem of accountability (again, attitudes would change in the 1980's and beyond with the government 'contracting out' services to associations). Davies was particularly concerned, however, about the weakness of staff below the top levels of the CBI and believed that something needed to be done about it (MSS 230/1/F463/4).

Davies confirmed that the ABCC had made representations about public law status (MSS 230/1/F464). He stated that whilst there was 'no question of legislation *in the current session*' (my italics), he was interested in what the Commission's views would be. Davies added that the Department might find it difficult to identify those tasks which the chambers could carry out in the UK context to justify their being accorded such status with its basis of compulsory contribution (MSS, *ibid*). Nevertheless, he seemed 'open-minded' on the subject. Was there, therefore, a 'window of opportunity' to introduce public law status in the early 1970's? If introduced, it would have started a shift away from British voluntarism which may have then made it

easier for the government to intervene in other areas of business representation. Devlin, however, 'sat on the fence' and any opportunity for reform was lost.

Macdonald's hunch is that if Devlin had come down in favour of public law status, the DTI would have undertaken a formal consultation on the subject (eg: a Green Paper) (*interview*, 22 September 2004). He feels, however, that it would have gone 80:20 against. Industrialists would not have been in favour, and furthermore, the mood of the time was sceptical of any attempt to build up a corporate state (*interview*, *ibid*). After all, the Commission had come across no one outside the chamber movement who wanted to see public law status. Even half the directors of the big Chambers of commerce opposed it (*interview*, *ibid*). Macdonald acknowledges, however, that if Devlin had come down in favour of reform, the issue would have been given "a very, very big public airing" but he is "not at all sure that we'd have ended up with legislation" (*interview*, *ibid*). There is something in this. One can imagine how small business, in particular, with their free-market thinking would have been firmly against it. Heseltine, moreover, believes that 'a Tory Government would never introduce public law status (*interview with Heseltine and Kemp*, 12 April 2005). He argues that whilst Davies may have been open-minded, he was a "Shell executive of the wouldn't reflect 'get off my back' school of thinking". More generally, people would have been too suspicious. Such reform would never have got past Conservative backbenchers, and the Labour Party of the time would not have created 'a capitalist service tool' (*interview with Heseltine and Kemp*, *ibid*). It appears, therefore, that public law status was never a realistic proposition.

The DTI also provided written evidence (for example, a paper by the Department dated 4th March 1971). Again, they saw the merits of strong associations and the need for reform. For example:

We want organisations which are strong and efficient, and we judge them by that criterion. Bodies which do not urge their case with the force it demands, or which fail to communicate accurately between the Department and their members, will not improve the quality of Government or relations between Government and industry (MSS 230/1/F38)

The Department argued that only a score or so of TA's were fully effective. Most of these covered major industries which usually include several large firms (MSS 230/1/F38). They were also served by full time secretariats (MSS 230/1/F39). Most TAs, however, lacked secretariats of the quality required. A fair few had no full time officials at all and instead used the part time services of solicitors or accountants (MSS 230/1/F39). In recent years, the Government had provided a growing range of advisory services. The DTI argued that industry could provide such services and, echoing the Thatcherite agenda of later years, stated that less government activity means lower taxes which would allow industry more money for this task (MSS 230/1/F41/2). There was, therefore, a slightly different emphasis here from Davies verbal evidence.

The Minutes of the Commission

It is also helpful to look at the views of the Commission as they develop during 1971-72. Their first meeting was held on 8 March 1971 at Imperial House, SW1 (MSS 230/1/H).⁸ At the outset, there were differing priorities, differing levels of radicalism, and a hint of the conflicting views to come on the proposed CBI/ABCC merger.

Netherthorpe argued that the present system was unsatisfactory and involved considerable duplication of expenditure. Industrial representation was too fragmented and he hoped that the Commission would be willing to propose some 'completely new'

⁸ Unfortunately, there are some gaps in the archives and not all meetings are covered. It is not clear how long the meetings were or how often they were held.

concept of representation (MSS 230/1/H2). Robinson noted the widespread dissatisfaction in industry with trade associations. Many industrialists felt that there were too many associations and they were proving too costly, both in terms of subscriptions and demands on company time. (MSS *ibid*).

Howitt was aware that the CBI was criticised for appearing to give large companies two voices – one as a direct member and one through their trade association (MSS 230/1/H3). Stock, meanwhile, noted that the CBI and Chamber movement were different to each other. It may appear straight forward to merge the two organisations but closer examination showed that this might not be advantageous to industry. A merger had been suggested at the time of the formation of the CBI but been rejected. It was, Stock argued, by no means clear that industry and commerce would gain if they were represented by a single organisation (MSS, *ibid*). Macrory noted that the Commission faced a dilemma. The paper from the DTI noted the weakness of the current system but the creation of a monolith would make it difficult to obtain agreement and splintering would follow (MSS, *ibid*).

It is interesting that by the Commission's meeting on 31 August 1971, Netherthorpe had shifted ground. He had originally favoured a drastic reorganisation of the pattern of representation but now felt that this would not be possible (MSS 230/1/H30). Subsequent meetings also demonstrated the difficulties of any CBI/ABCC merger. At their meeting on the 2nd August 1971, it was noted that a merger between the CBI and the Chamber movement was not regarded favourably by either side (MSS 230/1/H24) On the 31st August the resistance to the CBI and the ABCC coming together was again noted (MSS 230/1/H28). Robinson said that he could not see any prospect of the CBI and ABCC coming together, and that it seemed pointless for the Commission to attempt to introduce rationalisation in areas where there was no positive inclination in favour (MSS 230/1/H30). On the 6th Jan 1972, meanwhile, it was felt that any 'fusion'

would need a desire to effect it on two sides. At present there was no willingness on either side to fuse except on their own terms, and very little hope of compromise (MSS 230/1/H38). Indeed, at their 30th and 31st May meetings they accepted that a fusion could only be achieved over a long period of time (MSS 230/1/H52).

On 13th and 14th June during a consideration of the draft, Stock said that he could not agree to the merger of the CBI and the chambers of commerce. He felt that there was a need for both organisations so that each could face competition from the other, and also that it was beneficial to have a second national voice (MSS 230/1/H56). Stock's note of May 27th 1972 is of particular interest (MSS 230/1/G114/15). He wrote: "Please bear in mind that I spent 37 years in industry and not in the chambers of commerce and I want a strong CBI" (MSS 230/1/G114). He was concerned to make the recommendations acceptable to their sponsors and reasonable, in terms of the time spent, to individual companies whose original complaint was the overlapping of the bodies involved in industrial and commercial representation. He went on: "Surely it is not beyond the wit of an Englishman to devise a means of avoiding serious clashes between two national bodies who operate in different fields. I suggest resuscitation of the regular meetings that at one time took place between the FBI and the ABCC" (MSS 230/1/G115). Stock saw the main problem as being one of finance. "The evidence suggests to me at least a willingness by the majority of the organisations to improve themselves but an almost universal inability to finance. How is this to be tackled" (MSS 230/1/G115). It is also interesting that a letter from Fraser to John Whitehorn at the CBI, dated 8th September 1972, refers to the likely dissent on some of the conclusions from one member of the Commission (MSS 230/3/1/2). This would appear to refer to Stock and his views on the proposed CBI/ABCC merger.

Macdonald provides a useful insight into this (*interview*, 22nd Sept 2004). Stock (who had a 'chamber of trade' background) was 'out on a limb', whilst the other

members of the Commission (who saw it as a matter of ‘clinical business sense’) were fairly united. At a very late stage, Stock said that he may write a minority report outlining his opposition to a CBB. Devlin was not happy about this, given that in his experience, when a report results in a minority report, it tends to be the latter that is remembered. Devlin, therefore, had several meetings with Stock during which he pointed out how the Commission were not imposing, simply recommending; and that although there would be ‘bruised feelings’ we simply could not go on as we were. Stock, therefore, was bought round. Macdonald also reveals why the Commission referred to a ‘fusion’ of the CBI and the ABCC as opposed to a ‘merger’ (*interview*, 22nd Sept 2004). Whenever a company takes over another company, they will say it is a merger *and not a takeover*. The word fusion was an attempt, therefore, by the Commission, to try (unsuccessfully as it happens) to deal with the notion that they were proposing ‘a big CBI takeover’. Macdonald argues that “somebody or other had clearly said it would help diplomatically if we called this a fusion rather than a merger”. The choice of words, therefore, was for ‘diplomatic reasons’ (*interview*, 22nd Sept 2004).

Macdonald also points out how, from an early stage, Devlin became concerned whenever anyone said that they were looking to the Commission to provide a ‘masterplan’ with stages. Indeed, he was *firmly against* the notion of reform by stages (eg: stage 1, stage 2 and so on). Devlin believed instead that the Commission’s task was to indicate some ways in which associations could *work out for themselves* whether they were effective or not. In addition, associations should not fool themselves into believing they were effective if they were not (*Macdonald interview*, Sept 22nd, 2004).

The minutes also reveal how the structure of the Report started to take shape. On the 17th May 1971, Devlin argued that the Commission should both report on the existing pattern of industrial and commercial representation and make recommendations which would lead to rationalisation. It was hoped that the description of the complicated

system of representation would, in itself, provide a power stimulus to change (MSS 230/1/H11). By 2nd May 1972 the Commission's thinking had become clearer. After some discussion, it was decided that they should outline a 'model' representational structure comprising the CBI and sustained by major industrial organisations (MSS 230/1/H46). Whilst they did not think that the Report should attempt a 'blue print' of reform per sector, they thought it should indicate, firstly, which sectors satisfied the Commission's stated criteria; secondly, which had one satisfactory organisation and several small bodies which needed rationalisation; and thirdly, those sectors which had an entirely fragmented structure. Such an approach would allow 'change by natural growth' (MSS *ibid*).

'Catalysts for Reform'

The Papers produced by the Commission show how their arguments started to develop. *Catalysts for Reform* (a note by staff), for example, looked at possible catalysts to speed up reform. One possibility was entry to the EEC. This would bring UK associations into closer contact and competition with associations representing European countries, whose resources were considerably greater than their British counterparts. Britain's voice would be relatively ineffectual as a result (MSS 230/1/G34). Another option was action by government. There could, for example, be access to government contracts, or a register of recognised trade associations. Government, in other words, would only listen to representations from a registered association. This had been suggested by Lord Watkinson (M30) but he doubted whether it was practical. Judging by the evidence of the discussions with the Ministry of Agriculture and the Department of Environment, however (M38 and M116), Department's saw no reason why they should give a lead. "Fragmented representation may be ineffective but the loss is that of the industry, not of the Department" (MSS 230/1/G33). Again, therefore, the pluralist mentality of government is demonstrated.

'Issues for Consideration'

A paper by the Devlin staff entitled *Issues for Consideration* is especially helpful (MSS/1/G42-G70).⁹ This contained a list of the questions on which the Commission would have expected to express views and then put forward the arguments which had been put forward on each question. The paper saw itself as “an attempt, from evidence received by all sides, to identify the basic issues and to weigh the pros and cons of possible solutions in order that, when these issues and solutions have been rated as to their relative importance and as to their interaction, a skeleton of the report may then be attempted” (MSS/1/G42). In many ways, this paper presents the arguments and evidence more clearly than the Report itself. If the Devlin Report had engaged more comprehensively with the arguments (both for and against) it may have been more persuasive. In this section, we outline some of the main points of the paper (in the process allowing us to look at some additional evidence).

Coverage of the CBI

Several witnesses had expressed scepticism towards the wide coverage of the CBI. The DTI, for example, noted that its views were not always truly representative of its members (F40). The Electrical Components Board, meanwhile, argued that if you represent everyone you represent no one (M167). The BEAMA (British Electrical and Allied Manufacturers Association) saw the CBI as too “big and unwieldy” (F254). The Chamber of Shipping, meanwhile, felt that their industry’s problems were special, in so far as they operated wholly outside the UK and their contacts with government were so well developed, that joining the CBI would result in a muffling of its own voice to no advantage (F300). The Distributive Trades (eg: the Multiple Shops Federation, and the

⁹ This, as discussed in Chapter 3, was written by Macdonald.

Retail Alliance) questioned whether it was advisable at a national level to have an organisation which had attempted to reconcile suppliers/customer differences.

Direct Membership of the CBI

Sir Norman Kipping (M112)¹⁰, Sir Stephen Brown (M223) and E T Judge and Lord Watkinson had come out in favour of direct (company) membership of the CBI. The arguments that had been put forward included: access to company expertise, an ability to keep in touch with 'grass roots' opinion, the fact that the CBI would not be dependent on associations for funds, and that it allowed association subscriptions to be kept low. The failure of BRIMEC, which was dependent on associations, was cited. Lord Nelson (M34) and several TAs and chambers (such as BEAMA), meanwhile, were against direct membership. The arguments included that sector organisations were weakened (with the CBI viewing company membership as more attractive), that it was difficult for the CBI to weigh the views of companies against the views of associations, and that the CBI felt obliged to offer services to companies in competition with TAs and EOs. It was also out of line with Europe and impeded any fusion with the ABCC.

Fusion with the Chambers

Chambers outside the ABCC such as Bristol and Nottingham were in favour of a 'fusion' between the CBI and the ABCC.¹¹ Furthermore, some chambers within the ABCC were in favour provided public law status was granted. The arguments put forward in favour included that the CBI and the Chambers were encroaching on each others membership and activities to the detriment of both (Chemical Industries Association, F224), and that the same executives were also going to different

¹⁰ Former Director General of the Federation of British Industries

¹¹ This does not, however, seem a fair interpretation of the evidence. As the archives note elsewhere (see above), *Slough* and *Bristol* (not *Nottingham*) advocated one central organisation

Committee and Council meetings. Despite this, official contact was slight especially at national level. Campbell Adamson, for example, noted that apart from where major issues were concerned (such as EEC entry), the CBI did not consult the chambers (F33). Arguably, the chamber movement was not equipped to perform a national role. Indeed, the DTI noted that most chambers were understaffed and ill-organised (F98). By the same token, the CBI regional offices were not adequately staffed. Could, therefore, a 'fusion' bring together the better aspects of both organisations? Strong arguments were, however, cited against. These included the notion that competition was healthy and that there was an advantage in having two voices (a point put forward by the ABCC), and that both organisations catered for a different membership and had different roles. The paper stressed that neither movement was in favour of any form of merger and that any proposals for such would be deemed unacceptable.

Public Law Status

The ABCC were in favour of public law status (F312) as were many individual chambers. It would result in a guaranteed income and could end up with chambers taking on more government services (for example, export promotion or industrial training). Strong arguments were, however, cited against. The compulsory principle was not universally welcome, eg: the possibility of resignation by dissatisfied companies would be lost. Furthermore, chambers may become too dependent on the goodwill of government. The DTI was looking to the Commission to provide some kind of lead, and the Chamber movement was hoping that the Commission would Report favourably on it.

Trade Associations

The section on trade associations is more reminiscent of the Report itself (we will not, therefore, repeat ourselves here: see Chapter 5 for a discussion on the Report).

Nevertheless, some additional points are stressed, and more emphasis placed on others than in the final document. It is these to which we turn. The Conference of the Electronics Industry, for example, wrote that each member had particular interests which justified its separate existence. Matters in common were limited – and not necessarily the most important (MSS/1/G55). The attitude of many trade associations, the paper writes, was that “we are a little bit different so we must be separate”. This, however, ignored the areas in which, in E J Callard’s words, they were not very different at all. As Sir Richard Powell, an ex civil servant, put it: “trade associations are too parochial: they only think of their own backyard”.

The Commission heard from a wide range of government departments (for example, DTI, MAFF, Environment) and ex civil servants (Powell, Catherwood etc) that the number of TAs considered effective in Whitehall was very small indeed (MSS/1/G57). Frank Figures (NEDO) stated that a trade association was only regarded as effective by a government department if its work was seen to be of a quality capable of influencing a decision. It needed to be representative of industry, have spokesmen of high calibre backed up staff capable of providing a case in depth, and sufficient financial resources to recruit high quality staff (ibid). In a letter, Lord Crowther argued that effectiveness was dependent on a single association representing an entire industry, a constitution that enabled it to take prompt and decisive action, and an effective and forceful director/general (not simply a competent secretary) (MSS/1/G57). MAFF (Ministry of Agriculture, Fisheries and Food), meanwhile, pointed out the advantage to government in being able to approach a single organisation

(F181/MSS/1/G57). They also argued that without a full-time secretary associations were unlikely to be effective with government (MAFF F55/MSS/1/G57).

Mechanical engineering trade associations were built up as defensive product associations with narrowly based loyalties. This resulted in excessive fragmentation which was harmful to industry (BRIMEC M124). The Timber Trade Federation, meanwhile, argued that a single body representing as much of a trade as possible is more likely to make its voice heard than a number of independent associations representing specific sectors (F334). The paper also refers to association staff. RTZ stated that the quality of staff was vital to an associations' success (F118). Kipping, meanwhile, argued that association needed a director in the £7.000 to £10.000 class and a staff of up to 15 people (Kipping M109). In his view, the "essence of a representative body (was) to have something worth listening to". Powell, meanwhile, argued that TAs must be willing to pay more to attract high quality staff and that, for the most part, effectiveness depended on having a strong individual at their head.

Obstacles to Reform

The Machine Tool Trades Association's (MTTA) coolness towards BRIMEC is cited as an example of a trade association carving out a distinct niche for itself (MSS/1/G67). E McLeay, meanwhile, suggests that fear of a loss of identity was the reason why MHEA had not joined BRIMEC (ibid). The Paper also argues that 'personality problems' were not insuperable. When three organisations merged to form the Process Plants Association, for example, all existing Presidents became past Presidents (ibid). Similarly, staff problems can be resolved. Gentle methods can be used if it is clear it is not a takeover by one body. As an example of strong methods, however, the creation of the Knitting Industries Federation (KIF) did lead to staff removals (ibid). Finance was

quoted by several witnesses as the reason why BRIMEC had not attracted members (ibid).

Methods of Inducing Reform

The paper stressed the practical difficulty of Government setting any criterion of 'effectiveness' (MSS/1/G68). Government, could, however, improve lines of communication (DTI, F92). Indeed, NEDO argued that secondment worked successfully in Germany (MSS/1/G70). Therefore, industry and government should second more but there should be no movement the other way as TAs cannot afford to do without good staff (A A Jarratt, F127/MSS/1/G70).

The CBI, meanwhile, could insist on minimum standards for membership. Such methods, however, would not necessarily speed up reform unless companies put pressure on TAs excluded from the CBI (MSS/1/G68). Alternatively, the CBI could set up detailed Commissions for each sector, or invite large companies to get together to try and find a solution (MSS/1/G68). As Campbell-Anderson put it: "Monitoring general representational structure of Industry is a responsibility of a central body" (F34, MSS/1/G68). Both methods were, however, tried for mechanical engineering and failed to bring about reform (MSS/1/G68).

TA's, meanwhile, could provide essential services which were limited to members. It was not possible, however, to recommend that TAs create (at present unwanted) services, in order for them to have a hold on members (MSS/1/G68). TAs could also set up reviews by outside consultants, as proposed by the Timber Trade Federation. However, the CBI's Organisation Directorate (intended to do this) was disbanded due to lack of work. Reviews do not overcome any basic problems: for example, two reports in five years for the Wool (and Allied) Textile Employers Council

recommending a merger with the Wool Textile Delegation had not been acted upon (MSS/1/G68).

The Paper argues that the ‘Power of the purse strings is the most effective sanction’ (CIAL, F227/MSS/1/G69). The threat or the implementation of a threat had produced reform in the textiles and poultry sectors. As the Paper puts it: this is “possibly the most effective method the Commission can recommend: each company could be urged to consider the benefits it receives from each subscription” (MSS/1/G69). The Commission could point out that greater resources were needed to present effective cases. It would, however, be difficult to convince TAs that they were ineffective, not least because Whitehall refused to tell them that this is the case (MSS/1/G69). However, “If UK Industry wishes to be well represented in Brussels it will need to devote more money than at present and probably to fewer organisations” (MSS/1/G69).

Conclusions

It is clear that the CBI and trade associations operated within a pluralist and ‘voluntary’ mindset; although the ABCC’s willingness to embrace public law status demonstrated some shift from traditional thinking. Government was also shown to operate within such a framework: it did not believe that any form of government recognition would be practical. Documents from the National Archives confirm the pluralist thinking of the DTI (FU 62/48). A memorandum to Liverman from A D Peck (the Deputy Secretary), for example, dated 20th April 1971, suggests that their Paper to the Commission needed to be ‘a little cagey’ on whether “we should do anything positive to encourage rationalisation and structural change”. Peck suggests it would be “safer to take the line that, while we would naturally welcome rationalisation if this is what industry wants, it

is not for HMG (*His Majesty's Government*) to take a too actively interventionist line in a matter of this kind”

Government, therefore, not only held pluralist attitudes, but civil servants went to great lengths to ensure an impression was given that they did not believe in an interventionist route to reform. A memorandum from W Hughes (Dep Sec) to Rampton (Dep Sec), meanwhile, (dated 3 May 1971), provides further comment on Goldsmith's draft (FU 62/48). It suggests that it showed a “bias on behalf of the Department towards few and strong Trade Associations, or possibly one vast organisation which would ‘represent’ all trade and industry”. He wondered whether enough thought had been given to the potential damage of such an organisation, “or even any marked tendency towards Gleichschaltung”¹². He, therefore, wanted further clarification:

What is meant by the question whether all firms should be ‘pressed’ to belong to a single national organisation. Pressed by whom? Do we mean compelled by law? If not, what do we mean?”

Such thinking showed not only a pluralist mindset but also the view that a move away from voluntarism had fascist connotations. With such attitudes prevalent it was hardly surprising that government would not take on a role in pushing through reform. John Davies was also asked to give comments on the draft (FU 62/48). As Twyman, (his APS) put it in a memorandum to Rampton, Davies was only able to read the paper ‘very quickly’ (perhaps revealing the limited importance he attached to it). He felt however, that the treatment of the ABCC was rather inadequate and noted that the

¹² This is a German word used in a political sense to describe the process by which the Nazi Regime successively established a system of totalitarian control over the individual, and tight coordination over all aspects of society and commerce.

Institute of Directors had not been mentioned. He also wondered if they should refer to their concern as to the future role and viability of the ABCC – reference was made to their ‘rather lukewarm’ consultants report. It is interesting how Davies, a former Director-General of the CBI, was more concerned about the omissions of the IOD and the ABCC than the arguably more pressing problems facing trade associations.

It is clear, therefore, that it would be an ‘uphill battle’ to reform business representation in Britain. The situation was not helped by the failure of the Commission to hold a consensus on what should be done. The minutes of the Commission reveal different priorities, differing degrees of radicalism and, in some cases, conflicting views. There were, for example, contrasting views on a CBI/ABCC merger or ‘fusion’ with Stock firmly against. In this context, the following Chapter will look at the arguments and recommendations put forward in the Report itself.

CHAPTER 6:

The Devlin Report: Recommendations and Argument

This chapter outlines the structure of the Devlin Report and its recommendations. We then look carefully at the arguments put forward to justify those recommendations. The final section provides a preliminary analysis. Parts of the Report appear to have been misinterpreted, a situation not helped by contradictions, lack of clarity, and a tendency to engage in 'wordplay'. It is clear that the Commission ignored a great deal of the evidence they received, and Macdonald himself now acknowledges that fundamental errors were made.

The Report and It's Recommendations

The Commission reported in November 1972 and a press conference was held by Devlin and other members of the Commission on Wednesday 15th in the Board room of Imperial House, 1 Grosvenor Place, London (MSS 230/3/8/16) The report itself was embargoed until 00.30 hrs the following day (MSS 230/3/8/16).

The report ran to 127 pages and consisted of four main sections. Part I was entitled "The Report in Brief". This dealt with the broad questions "that urgently need to be discussed" and outlined the Commission's recommendations. Part II described the existing pattern of representation existing in Britain. Part III described similar structures overseas. Part IV contained the detail supporting the broad answers (Part I directing attention to it as appropriate) and also covered minor questions. There were also 9 Appendices. The most significant of these were: Appendix 1, which covered the evidence taken (written and oral); Appendix 2, which listed the organisations which

satisfied the Commission's broad criteria (see below); Appendix 8, which contains a statistical summary of information on British E0's and/or TAs (based on the Commission's questionnaires); and Appendix 9 which focused on the survey of small firms in membership of the CBI.

The Commission treated their enquiry as one of fundamentals and not details, and therefore, did not provide, as they put it, 'detailed solutions' (Devlin, 1972, p. 4). They concluded that reform must come from below, and that initially there would have to be "widespread discussion of what is feasible and desirable". The Commission hoped that, principally, the Report would "stimulate such discussion" (Devlin, 1972, p. 4). The Report states:

We are conscious that formal recommendations are hardly suited to the nature of this Report since so many of the things we attach most importance are matters for thought and discussion rather than immediate action (Devlin, 1972, p. 16)

Nevertheless, the Commission do make some specific recommendations (see Devlin, 1972, pp 16-17), stating "we think it may be serviceable for us to formulate in the recommendations.....such of our thinking as can be manifested in steps to be taken" (Devlin, 1972, p. 16). Let us now turn to these recommendations in more detail. (Devlin, 1972, pp. 16/17):

1. A Confederation of British Business (CBB) should be "formed as soon as practicable". The Commission's sponsors (eg the CBI and the ABCC) should initiate discussions to this end with groups such as The Chamber of Shipping, the Retail Consortium, and any such associations listed in Appendix II of the Report as

having passed the Commissions 'test of effectiveness' and which are not, already, members of the CBI.

2. If the ABCC feels unable to join in sponsoring these discussions until the question of public law status has been decided, it is recommended that it should as speedily as possible invite the government to decide whether or not it is prepared in principle to introduce the necessary legislation.
3. The CBI should form a Heads of Sector Council
4. The CBI should discuss in the Heads of Sector Council a plan to restrict CBI company membership to those who have "something special to contribute to CBI discussions" (p. 16). Specific objectives should include:
 - (a) Restricting company or 'direct' membership (*subject to exceptional cases*¹) to companies which are members of their appropriate EO and TA
 - (b) The withdrawal of Rebate A in calculating the subscription to the CBI of an EO or TA²
 - (c) Fixing the minimum subscription for company membership at a level paid by a company with over 200 employees
 - (d) Raising the subscription rates to the CBI from EOs and TAs by a sufficient amount to make good to the CBI any loss of income likely to come about through (a), (b) and (c) above
 - (e) No increase in the subscription rates as they apply to company members until the total amount raised from EO and TA members is roughly the same as the total from company members³

¹ The Report states: "There may be no appropriate EO or TA for a company to join. There may be special reasons for a company not joining its appropriate EO or TA. Such cases should be judged by the CBI on their merits and after consultation with any EO or TA that might be interested" (p. 56).

² This is the rebate given to associations who have in their membership many companies who are also direct members of the CBI.

³ The Commission note that an immediate change in the structure of rates "might hamper and delay the financing of plans already made" by the CBI. However, "our long-term proposal is that, once the projected increase which is, so to speak, in the pipeline, has been satisfied, all further increases in subscription rates should be obtained from the association members until they are providing 50 per cent of the CBI's income" (Devlin, 1972, p. 56).

5. A Small Business Council should be created “under the aegis” of the CBB and should include representatives from Chambers of Commerce and Trade, EOs and TAs and the Smaller Business Association. If a CBB is not formed, then there should be a restructuring of the CBI’s Smaller Firms Council.
6. The ABCC and CBI should sponsor the establishment of an Advice Centre to be used by EOs, TAs and Chambers of Commerce.
7. Associations which do not meet the Commission ‘broad criteria’ of effectiveness (ie, are not listed in Appendix II nor affiliated ⁴ to one that is) and which are representational “should examine urgently the possibilities of strengthening their resources by some form of unification with other associations within their industry or sphere of common interest” (p. 16).
8. The Report recommends that every business should:
 - (a) belong to a Chamber of Commerce and “to an effective representational organisation covering its particular industrial or commercial activity” (p.16)
 - (b) if it belongs to an association which does not meet Devlin’s broad criterion of effectiveness (or, is not affiliated to one that does) then it should attempt to influence the association to act in the way recommended of it
 - (c) review its expenditure on associations and Chambers of commerce so as to ensure that it is “receiving value for money and also that it is contributing not less than is reasonable to its own need for representation and that of commerce as a whole” (p. 16)
9. It is recommended that the ABCC and CBI should set up an investigation to look at the resources of Chambers of Commerce and employers’ associations in EEC countries and the contributions which are made to them by individual businesses as a percentage of turnover or wage bill

⁴ This is an important qualification which must not be forgotten. It clearly justifies, in the short-term at least, less well resourced associations *providing they are affiliated* (a point which may have been forgotten by Devlin’s critics). In the long-term, however, Devlin advocates something approaching ‘one association per sector’ which would mean, say, 3rd tier bodies joining the 2nd tier within a federation (see below)

Devlin referred to some of these recommendations at the press conference. He hoped that the proposed CBB would be established within a 'few years', and stated that recent events in the prices and incomes field emphasised the need for a single and strong body at the top of business to consult with the Government. (*Financial Times*, 16 November 1972).⁵ Devlin acknowledged that there would be problems in forming such a confederation, not least the vested interest of officers of trade associations in keeping jobs and the special position of the Chamber of Commerce movement on entry into the Common Market. (*Financial Times*, *ibid*). Devlin also stated that the target was to reduce TAs from more than 2000 in number to about 100 (*Financial Times*, *ibid*).

There is far more rigidity in the 'summarised' recommendations than a careful reading of the *whole* Report would suggest. The former, for example, suggest that associations which fail to meet the £70,000 standard are not effective and, therefore, should seek some form of unification.⁶ This is not, however, a fair interpretation of the Commission's views stated elsewhere (see below). What the Report as a whole *seems* to be saying is that associations should carefully consider whether they have the resources to be effective. They should bear in mind the £70,000 standard but the Commission accept that this can only be a rough guide and that there will be exceptions (this is discussed in more detail below). Often the Report would not have been read in its entirety, and points such as this would have been lost (One of the criticisms made of Devlin, for example, was its opposition to small associations). Linked to this, the Report is a little unclear in places (again, a point picked up on below) and, in places, quite complex. Therefore, many did not pick up on its subtleties and it was arguably

⁵ These newspaper articles were found in the Devlin archives, Modern Records Centre (MSS 230/3/8/16). Similarly, *The Times* (16 November 1972) cites Devlin as saying that the timetable for forming the CBB would be years not months. The *Daily Telegraph* of the same date refers more generally to Lord Devlin saying that changes are likely to take years rather than months

⁶ Although, admittedly, even here it qualifies it by saying that it is acceptable to be *affiliated* to one that is.

misinterpreted. The literature, for example, often refers to the proposed *merger* of the CBI and the ABCC (see, for example, Heseltine, 1987, p. 122; McDonald, 1973, p. 36; and the CBI Annual Report, 1973, pp. 30/31). Devlin, however, refers to a *fusion* (p. 61) and explicitly rules out a merger (p. 14). Of course, we can fairly ask whether there is any difference between a merger and a fusion (a point picked up on in the last Chapter). In a sense, this illustrates the lack of clarity and a tendency to engage in wordplay in an attempt to (unsuccessfully) overcome obstacles.

The Argument of the Report

We will now look at how The Commission reached these recommendations. For this purpose, Part I: '*The Report in Brief*' has been used (pp. 1-17); alongside, where appropriate, Part IV: '*Analysis*' (pp. 52-84). The former has not been used exclusively as occasionally it does not pay sufficient attention to the subtleties and complexities of the Commission's thinking. Indeed, simply reading Part 1 (yet alone, just the 'recommendations') does not give the reader a true or complete picture of the Report and would lead (indeed has led) to misinterpretation. The Report states:

We recognise that *not everyone is going to have the time and inclination (my italics for emphasis) to go into details. This is why we have put the broad questions that urgently need to be discussed into this Part (ie part 1) and called it 'The Report in Brief'.*

What follows below, therefore, is a *comprehensive* (and hopefully accurate) account of the Commission's thinking (as outlined in the Report) and how they came to and justified their proposals.⁷ A clear understanding is needed both to evaluate the Inquiry and fully understand why it did not lead to reform. Where appropriate, the archives are

⁷ Such a summary has not been discovered by this author elsewhere.

used to reveal the source of quotes and evidence. The Press Conference is also cited to clarify certain points.

Problems with Eos and TAs

The Commission noted that the structure of the Chamber of Commerce movement had, following the Urwick Orr Report (1968), been undergoing reform. In this respect, therefore, they had “no new proposals to make” (1972, p. 4) The CBI taken by itself was seen to be “by and large an extremely effective organ” (1972, 4). At the level below this, however, the structure of EOs and TAs was questioned. The Report stated:

There is a lack of coherence among the organisations at this level not only as between themselves but also in their relationship with the CBI (1972, p. 4)

The Commission noted how the existing structure of EOs and TAs demonstrated duplication and confusion. Even within industries where a single powerful organisation represented a large part of that industry, there was “a residue of small weak and disconnected bodies” (1972, p. 7). This contrasted strongly, they argued, with the EEC, where, in most cases, associations were in an orderly triple-tiered hierarchy with the central organisation at the top, a limited number of industry organisations in the second tier, and product groups in the third.

One school of thought was that there was no need for any more coherence than currently existed. A company or firm should, in the main, look after itself. It will have some common interests with others in the same line of business and, therefore, a limited association for this purpose was desirable. A strong community of interest, however, was of the essence: if it is diluted the association loses strength. The most effective association according to this argument, therefore, would be small and closely knit. The

alternative point of view, however, was that there should be a strong association 'movement' (in the same sense as in a trade union movement). In other words, rather than a number of disconnected associations, each serving their own rather limited purposes, there should be a body of associations which are linked together. The purpose of such a movement would be to put the case, both as a whole and for the separate industries, for industry convincingly. The Commission concluded that the latter school was correct and was in line with most of the leading industrialists who gave evidence. Those belonging to the first school "were mainly the office bearers and staff of product associations which were naturally loath to lose their independence" (1972, p. 5).

The Commission also put forward the argument that to have two or more associations offering the same kind of services was a good thing. The alternative point of view, however, was that this kept competing associations too small to provide the best services most economically, and may indeed result in more expensive services not being provided at all. Furthermore, the Commission stressed that an employers' association "is an organ of representation as well as a provider of services. It is the voice of its members". (1972, p. 7). As the Commission put it:

You can have competition in services but not competition in voices.

Competition in services may promote efficiency but competition in voices can only promote discordance. In the case of employers' associations, therefore, the need for a single organ of representation is a decisive argument in favour of a single body for the unit to be represented (1972, pp. 7/8)

Nevertheless, the Commission realized that there must be safeguards. Employers associations must remain voluntary. Dissatisfaction of individuals could, if necessary, be expressed via resignations and breakaways. In Britain there is no restriction on the formation of a new association, nor any obstacles placed in the way.

The Commission had no desire to see the tighter structure of Continental countries introduced here. They stated that industrial representation “can be greatly weakened by the withdrawal of membership or by breakaways; but so it can if it is ossified in an unrepresentative and inefficient body” (1972, p. 8). The Commission added:

We are not advocating unification at any price. What we are saying is that under a voluntary system there are always remedies, albeit drastic one’s, for incompetence and inefficiency, and that it is wise to retain a choice between evils (Devlin, 1972, p. 8).

Designing a ‘bluepoint’ of a new structure was also rejected. It was seen as undesirable to put industrial representation within a completely rigid structure. Associations are not always formed around a particular product or a particular service. The common interest can, for example, consist of elements such as a particular market to which several different products are supplied. The Commission wrote:

If one starts with a rigid form, as in Europe, excrescences can of course be allowed. But where, as in Britain, there is hardly any form at all, it seems better to move towards a flexible structure which will allow not only for oddities but also for the effects of rapid technological change (1972, p. 7)

How Should Reform Come About?

Given that reform was necessary, the Commission asked how it should come about. No one, they argued, would have welcomed legislative action turning EO’s and TAs into statutory bodies. On this point there was unanimity. They referred to some witnesses wanting Government to take more of a lead on the matter. Several witnesses, for example, suggested a register of EOs and TAs which met some standard of

effectiveness (the archives reveal this to have included BRIMEC and BICEMA – see, MSS 230/1/F359). Some ways were suggested as to how it could be used. Government Departments, for example, could refuse to hear representations from organisations not on the list, tax relief could be withdrawn, or Government contracts could only be given to those registered. The Commission felt, however, that Government action would be inappropriate; indeed, there was no volume of support from witnesses supporting such action. The Report stated:

Fragmented representations may be inconvenient to a Department but no Government would consider shutting the door to any association which felt it had something to say...an associations right to make its views known in Whitehall is recognized by Departments in the same way as that of any constituent to raise matters with his Members of Parliament (1972, p. 68)

This was not to say, however, that Departments should do no more than at present. They could, for example, make it clear to less effective organisations why they were making little impact. There were, they argued, ways of indicating indirectly which associations departments considered to be effective. They cite, for example, that on two occasions senior civil servants had been seconded to work for BEAMA (the British Mechanical Engineering Confederation), and suggested that further secondments such as these should be encouraged. Furthermore, a Department could allocate a specific task to associations, say export services. As the Report puts it, “action along these lines would make it clear that certain associations were well regarded by Government” (1972, p. 68).

The Commission rejected action by the CBI .One suggestion, which the archives reveal came from BRIMEC (MSS 230/1/G68), was for the CBI to limit membership to one or two chosen organizations in each sector. Another was that the

CBI should create a series of select committees for fragmented sectors which could perform an overall linking role “as a forum of discussion without infringing the independence of the constituents” (1972, p. 68). This would allow the CBI and major associations to co-operate in identifying major problems in particular sectors. The Commission noted that the CBI had previously taken initiatives in the hope of bringing about reform. An example was the setting up of the Organisation Directorate which “was instrumental in the creation of the British Mechanical Engineering Confederation” (1972, p. 68). The Commission concluded, however, that the “position of the CBI (was) delicate” as “industrial associations are jealous of their autonomy and there is a danger that an initiative taken by the CBI might be treated as unwarranted interference” (1972, p. 68). Indeed, by helping to set up the Commission, the CBI had already indicated that it did not want to be regarded as an instrument of reform. Devlin concludes that “compulsion, whether direct or indirect, is not acceptable as a means of promoting reform” (1972, p. 68).

The Commission, therefore, decides that the stimulus for reform must come from within the associations themselves. They believed that a “natural development” would result in a better combination of rigidity and flexibility than a blueprint. They noted also how the UK’s entry into the EEC could prove to be an important catalyst. It was clear that organizations which represented a broad sector of industry, and whose membership accounted for a high proportion of the sector’s output, would carry more weight in Brussels than small specialized associations. Membership of the EEC would also bring UK associations into closer contact and competition with associations from other countries whose resources are greater than their British counterparts. In accordance with the evidence they received, the Commission did not recommend reform by compulsion. It would also be necessary, however, “if stimulus from within is to play an effective part, that Eos and TAs and their members should take stock of their position and act to improve it” (Devlin, 1972, p. 69).

The Commission recommended that every company review its position and, if it did not belong to an EO or a TA (or a Chamber of Commerce), it should ask itself whether it ought not to do so. Furthermore, if was a member of an EO or a TA which did not pass the 'test of effectiveness' (see below), then there was probably a *prima facie* case for supposing the association is not providing the quality of representation required. If companies acted accordingly many associations would start to think of ways to strengthen their resources by merger or otherwise. Such initiatives were needed in particular in the mechanical engineering industry where there was a need for a "vigorous and determined effort on the part of the major companies involved therein to prosecute measures to effect a more practicable integration" (1972, p. 9). A company also ought to know how much it was subscribing to associations and whether this was a reasonable sum. The Commission stated that "in the absence of compulsion", unless the leaders in industry acted strongly it was doubtful whether there will be any worthwhile reform at all" (1972, p. 9). They argued that large companies, due to the size of their subscriptions, would be better placed to make themselves felt. Therefore, most of the "prodding and pushing" for reform must come from them.

The Test of Effectiveness

Based on their discussions with witnesses, including Government Departments and leading company executives, the Commission concluded that the most important factor in determining effectiveness was the quality of the staff, in particular the quality of the 'top man'. They suggested that the director of an association representing an industry should be of the calibre of a senior civil servant of a Government Department. The director, however, also needed "to draw on a mass of well-ordered information"(1972, p. 64). The Commission noted that they had been impressed by evidence demonstrating

a close connection between advisory services and representational effectiveness. They concluded:

A rough calculation suggests that to achieve the standard we think necessary an association should have an executive staff of about eight people and, at current prices, a minimum subscription income of around £70.000 (1972, p 65)

A test of representative effectiveness was, therefore, devised.⁸ Arguably, however, the test was not as rigid as often supposed. It was seen, in other words, as a 'rough' calculation. The Report added that the figures could only be a guide and would vary greatly according to non-fee services which associations provided and other duties they undertook (Devlin, 1972, p. 65). The Commission noted also that they were not concerned with the actual effectiveness of any association. They had not attempted to appraise the efficiency with which any association was run. It was obvious, they said, that a small association which was run by extremely capable men may be just as effective as an association with greater resources. The reverse was also true: "but both are true only exceptionally and for a time. We are concerned only with structure and so we must assume average quality and no more" (1972, p. 8). What the Report *appeared* to be saying, therefore, was that *on the whole* associations which did not pass the test would be ineffective but that this would not always be the case. The Commission clarified further as follows:

Inevitably there will be some near the borderline whose inclusion or exclusion depends upon an appraisal that may be fallible. There may also be a few effective bodies that we have overlooked altogether. We are not passing

⁸ The introduction to the report suggests that the test simply involves income (ie, those associations with an income over £70.000). However, the main body of the text states that the test also involves staffing levels. The latter is taken to be the authors' true intention but it does show how a reading of simply the introduction could result in misunderstandings.

judgment on those we have considered and omitted: we are saying simply that there is a case for considering - an overwhelming case in some and debatable in others - whether by amalgamation or reconstruction their resources could be increased without an unacceptable loss of identity (1972, p8)

Further Reform

The Commission asked whether further unification was required beyond this test of effectiveness. They suggested that if mergers took place according to this test then there would be “something over 100 effective associations” (1972, p. 65). This, they noted, was a higher number than the top grouping in, say, Germany or France. The Commission only envisaged 40 or so associations as making up the Heads of Sector Council of the CBI (see below) which they were recommending. “A larger number would”, they suggested, “be unwieldy”

The Commission argued that the first stage must be to pass the ‘test of effectiveness’. Once this has been achieved, however, the burden shifted. As the Report puts it:

If there were to be any closer unification we have no doubts about the criterion. It should be one association for each industry.... There are obvious disadvantages in a situation in which there is no single voice for an industry. Government has to go to two or more bodies for opinions: if they give different opinions it is easy for Government to ignore both” (1972, p. 65).

This was not necessarily the only criterion to bear in mind. There were difficulties in defining an industry. The Commission argued that “it can be left to the associations concerned to decide when the moment has come” (1972, p.65)

Obstacles to Reform

The Report noted, however, that there were various obstacles to reform. The main stumbling block was the difficulty of appreciating that an association could have a common interest with another. An association, for example, may state it is only concerned with its own small area of industry, however small, and it can see no advantage in extending membership to cover any related products. Another obstacle was that the members of one include customers of the members of the other. A feeling existed that suppliers and consumers had nothing in common and that their representation was best left to separate organizations. Devlin did not accept this: “We have considerable evidence across a wide range of industry that buyers and sellers of a product can get on well with each other and have a great deal in common” (1972, p. 70). The same consideration applied to similar objections along such lines: that associations serving the same market with competitive materials could not be expected to come together; that manufacturers and importers will gain nothing from partnership; and that manufacturers and merchants have totally different interests.

Another deeply-rooted objection stemmed from an excess loyalty to an association “and involve(d) praying in aid of the prestige of that association” (Devlin, 1972, p. 70). The Report quotes ‘one organization’, revealed in the archives to be the Cocoa Chocolate and Confectionary Alliance (MSS/1/G67), who argued that “absorption within a wider federation could result in the association’s prestige declining with a consequential reduction in the effectiveness with which it represented its members’ interests”. All too often, the Report added, those concerned with an association have an exaggerated idea of its status (Devlin, 1972, p. 70).

Even with good will on both sides merger negotiations could break down. Firstly, the merger of one into another would often result in increased subscriptions for the members of the smaller organisation.⁹ Secondly, there could be opposition from 'honorary office holders'. As the Commission put it:

Holding office is to many executives a satisfying experience - sometimes more satisfying than their jobs with their companies. We are aware that companies have often used associations as a means of early retirement for some of their executives (1972, p. 71)¹⁰

One witness, whom the archives reveal to be Sir Norman Kipping (former Director General of the Federation of British Industries), argued that "the greatest enemy of reform is next year's President" (MSS/1/G67). The Commission also came across several instances where honorary office holders were excessively loyal to their association. The Commission proposed no remedy other than honorary executives needed "to take a wider view of their responsibilities". Thirdly, there could be opposition from the staff of associations facing merger possibilities. Rationalisation proposals were bound to give rise to anxiety in such staff who may fear losing their jobs in any reorganization. The Commission pointed, however, to mergers where they have not been staff losses. They were also told about several amalgamations where security of tenure of varying degrees was promised to all staff.

⁹ The Commission suggest that large organisations make the inclusion of small bodies "as painless as possible" (p. 70). In this vein, they 'commend' the National Federation of Building Trade Employers for their willingness to allow small organisations a 5 year transitional period in which to bring their subscription scales into line.

¹⁰ The Commission urge honorary executives "to take a wider view of their responsibilities" (p. 71).

In order to aid the process of reform, the Commission recommended the formation of an 'Advice Centre'. The Report stated:

We do not see this body as being in any sense a continuation of ourselves. What we have done is to take a look at the whole system and to say in the most general terms what we think needs doing to it. If our conclusion is accepted that what needs doing is best accomplished by evolution rather than by revolution, there is nothing to be gained by any further general review. Evolutionary change cannot be described for in general terms. The course of adaptation will be different in each case (Devlin, 1972, p. 9)

Neither is this body to be the "chief stimulus to change" or the "instrument of reconstruction in individual cases". The main stimulus must instead come from discontent among associations and businesses. However, "between the stimulus and the detailed plan there is need for an advisory body to which companies and associations in an industry that is seeking rationalisation can resort" (Devlin, 1972, p. 9/10).

The Commission saw such a body as being set up initially on an "experimental or pilot basis" (Devlin, 1972, p. 71). It should be "under the control of a part-time chairman of substantial public standing in the business community, possibly supported by a small committee of part-time members of similar standing" (1972, p. 71). A small number of staff were seen to suffice; namely, a director with a junior assistant and the necessary clerical staff (1972, p. 71). It is also proposed that the centre should "preferably be located and operate independently of our sponsors" (1972, p. 71). They could, however, as indicated above, sponsor the setting up of such a centre. The Report stated:

This would involve seeking finance from some independent source and we recommend that it should be sufficient to maintain such a centre on this pilot basis some three to four years..... We assume that after four years of operation, industry and commerce would be in a position to decide whether such a centre was fulfilling a purpose and could continue to prove useful, or whether it should be wound up (Devlin, 1972, p. 71)

The Commission noted that reform was more urgently required in EO and TA structure (the Chamber movement was already undergoing reform following the 1968 consultants report). However, any advice centre should involve the Chambers "in view of the close working relationship between many TAs and Chambers of Commerce and the hope that an advice centre would be of assistance to the Chambers in their own rationalisation" (Devlin, 1972, p 71).¹¹

The CBI

If the businessman thought and acted as outlined above, there would, according to Devlin, be fewer and stronger industrial organizations. However, this result could not be achieved if the structure of the CBI was left unchanged. The object, therefore, was to strengthen the association structure as opposed to the CBI itself (which, as stated above, was seen to be a very effective organisation). As the Report put it:

An organisation is required which can act as the spearhead of the representational strength of British Industry and Commerce. But a spearhead must have the thrust of organised weight behind it. This will be particularly necessary when the UK joins the EEC where its counterparts can claim by the

¹¹ PP 71/72 of The Devlin Report lists what the on-going functions of the centre should be

nature of their coherent organisation, to speak for the whole of industry on the basis of views produced within their system on an organised basis. (1972, p. 55)

The Commission noted that 30% of the small businesses within the CBI did not belong to any EO or TA. The Report went on:

A sector organisation cannot satisfactorily represent an industry unless the great majority of the companies in the industry not only belong to it but use it..... If a member has a problem that needs the attention of the CBI, he should obtain it through his sector organisation. Otherwise the two-way channel of representation is not kept open (1972, p. 10)

They did not think it desirable that a company should also join the CBI and asked, therefore, whether all company membership should be excluded. The views of their witnesses on this were "fairly equally divided". A number, however, thought that some compromise might be worth considering. The Commission noted that it would be "neater if membership of the top body was not mixed" and that this logical form of structure is predominant in Europe.

The Commission accepted, however, that there were differences between the 'smallest' and 'largest' companies. The largest may have resources greater than any sector organisation, its research may be more considerable, and its experience more valuable. Consequently, a large company will be less likely than a small company to seek advice and information from its sector organisation. On the other hand, it will be more likely to be in touch with its employers' association in other ways. As the Report puts it:

Its executives will probably play a substantial part in the running of the sector organisation as office bearers or chairmen of committees. With contacts of this sort the director of the sector organisation will not find it difficult to learn what a big company is thinking (1972, p. 10)

The big company, however, is in greater need of a national body. Questions which concern a large company will be fields in which the central body naturally operates. Moreover, a large company, through its resources, will probably have more to offer the central body. The Report states:

In short, direct contact between the CBI and the big company is likely to be beneficial to both, enabling the company to play a part in the formation of national policy commensurate with its resources and enabling the central body to act more swiftly than if it had always to make contact through regular channels as, for example, the CBI has been able to do its initiatives to bring about price increase limitations (1972, p. 10)

Nevertheless, the Commission wrote that the CBI should derive its representative power mainly from its place at the head of a hierarchy of associations. This is inconsistent, they argue, with it having to rely for up to 80 per cent of its income from individual companies. Therefore, a 'practical compromise' was suggested which was seen as an improvement on the general Continental principle of a total exclusion of company membership. The Commission argued that whilst large companies should still be able to enjoy direct membership of the CBI, the total number of companies enjoying direct membership should, over time, be reduced with the ultimate objective being that 50 per cent of the CBI's income should be provided by member associations. The Commission outlined several ways to achieve this aim. These included restricting

company membership to companies whom are members of an EO or TA ¹², and fixing the minimum subscription for company membership at the level paid by companies with more than 200 employees.

The Commission refuted the argument that small business would be harmed, stating that “insofar as our proposals give the sector associations a larger role in the CBI they should increase rather than diminish the influence the influence of the small and medium sized companies” (1972, p. 11). They also acknowledged their recommendations were likely to result in a loss of CBI income, hence the proposal to increase subscriptions from the association side to make good any loss. There should not, however, be any increase on subscriptions paid by direct members until the 50 per cent target was reached.¹³ Devlin accepted that the “chief beneficiaries “of such a re-organisation would be the large EOs and TAs. The Commission believed, however, that *all* associations would benefit by “the adhesion to them of companies who are at present by-passing them” (1972. p. 57). This was in part, they argued, “a *quid pro quo* for the increase in their subscription rates to the CBI.

Reducing the number of associations, increasing the scope of those left, and a more orderly arrangement, would diminish the danger of overlap. However, there remained the danger of overlap between the centre and the sectors. In practice, the centre was largely ware of what the principal sectors were doing and to a lesser extent each sector knew what the other is doing. However, overlap could not be avoided altogether and therefore a Heads of Sector Council was proposed. The Commission believed it important that the director-general should have “regular opportunities of setting out for his colleagues his views on current problems and the work which the CBI

¹² Subject to the qualification mentioned above

¹³ Subject to the qualification mentioned above

is undertaking or is proposing to put in hand” (1972, p 11). A regular meeting between the service heads would promote the unity and coherence of the structure as a whole.

A Confederation of British Business

The Report concludes that the Chambers are strong in the regions and weak at the centre; the reverse being true of the CBI/EO/TA structure. Furthermore, it is ‘impossible’ to see the ABCC playing a larger “national role than it does at present” (1972, p. 53). The Commission argue that it was regarded both by Government and by the business community as a whole as being less influential than the CBI (1972, p. 53). They go on: “when it mixes the regional views and turns them into a national policy, the result is inevitably defective because it is reached in isolation from all the powerful elements thatmake up the CBI and are outside the Chamber movement” (1972, p. 61).

The Commission noted how the membership of the CBI had widened. When it was set up in 1965 its membership was restricted to manufacturing industry, transport and construction. By the time of the Report, however, its membership had been extended to include commerce (including financial services). Devlin noted that certain prominent organizations had declined to take up membership. The Chamber of Shipping, for example, had not joined the CBI as they considered their industry to be ‘international’ and felt they could lose their own close relationship with government departments. However, the Commission noted signs that this opposition was not “uniformly felt within the Chamber” (1972, p. 59). Similarly, although eligible, few in the distributive trade had taken up membership. As the Report put it: “Neither the Retail Consortium nor any of the five members are in the CBI. Nevertheless, to an increasing extent, the larger retailing companies are applying for membership” (1972, p. 59). The Commission suggested that the CBI would be happy to welcome in the shipping and the

distributive trades. It was also noted that the Chamber movement has increasingly recognized industry in its own operations. They had also started to comment on industrial relations matters and both the Chambers and the CBI shared an interest in international trade. The result, the Commission argued, was that there was “in existence in Britain two systems operating disconnectedly over a wide field” (1972, p.60).

The Commission outlined four different viewpoints:

1. The two systems represent distinct constituencies, both of which deserve to be heard
2. They represent mainly the same constituency but it is a good thing to have ‘two voices’
3. There are two constituencies but with boundaries that are not distinct: there should, therefore, be demarcation
4. The two systems should be ‘fused’. This term is used in a general descriptive way, as opposed to definitively. “It is suggested”, the Report states, “by the fact that vis-à-vis each other, one is stronger at the centre and the other in the regions, and that by dovetailing they could pool their respective strengths” 9p. 12)

The Commission admitted that there was “little enthusiasm for the idea of coming together on equal terms” (1972, p. 12). They decided, however, not to take this at ‘face level’. Most witnesses from the Chambers stated that some form of co-operation was desirable but all were satisfied that no form of merger or fusion would work. The CBI did not consider a merger to be practicable and believed that rationalisation could be achieved by the winding up of the ABCC and individual chambers joining the CBI and becoming highly involved in the work of the Regional Councils. The Commission, however, noted that:

Most of this evidence was given by men who were in office in one or other of the organisations. Doubtless they had to be cautious not to commit themselves...It is natural that no representative would wish to put his side at an apparent disadvantage by a display of eagerness. We hope and believe that a recommendation by us, which relieves both sides of the need to take the initiative and which makes it quite plain that there is nothing in the nature of a takeover, may make both far more ready to explore the possibilities of union than they could be when giving evidence in a vacuum (1972, p. 60)

The Commission said that they were “encouraged in this belief” (1972, p. 60) by the memoranda submitted by four chambers, two not affiliated to the ABCC (Nottingham and Bristol) and two within the network (Glasgow and Slough) (these memoranda were discussed in more detail in Chapter 4). The Commission was also influenced by the extended coverage of the CBI which they regarded as “at least halfway towards” including commerce within its sphere. They wished the process to be completed by shipping and the distributive trades coming in. They accepted that shipping was very different from, say, electrical engineering, but they added, so was farming. The Commission argued that the Chamber of Shipping was powerful enough to speak for itself and did not need the aid of a central body: neither did the nationalized industries. Both bodies, however, had something to give and to take from a general conference (1972, p. 61).

Returning to the four possibilities mentioned above, the Commission could not agree that the two systems represented markedly different constituencies. It was no longer true that one spoke for industry and the other for commerce. Nor would it be desirable for the CBI to withdraw from the commercial sector and the Chambers from the industrial. It was true that the two bodies sometimes said different things. Maybe

this was because the Chambers were more directly in touch with the small man, the grass roots and so on. The Commission thought, however, that there was a simpler explanation. They wrote:

If the business world was divided into A-M and N-Z, each group with its own organs and processes, it would not be long before the two groups were coming up with different answers to the same questions; nor would it be long before the leaders of each group were pointing to signs that their group was more truly indicative of business feeling than the other. This is not entirely true of the division between the ABCC and the CBI, but it is too near the truth to be comfortable (1972, p 13)

When these two organizations spoke with a different voice, therefore, there was no way of determining the authentic voice of British business. The Commission were not arguing that every time that there were two voices there was necessarily confusion. This depended on whether the source of each voice could be separately identified. For example, if the Birmingham Chamber said something different to the Glasgow Chamber, the source of each opinion could be clearly identified, one being from one locality and the other from another. The same applied if two trade associations were saying something different. If, however, the ABCC had a different point of view to the CBI, or a regional Chamber a different view than its corresponding CBI Regional Council, there was no identifiable source: there was only confusion and representation to be effective must be clear. Therefore, regarding the second proposition, to have two voices was not a good thing.

Demarcation, moreover, was not really an option. Neither body would be able to give up any major matter and still be able to claim to speak for the whole business

world. Therefore, the Commission concluded that unification was the answer. The Report stated:

From the recognition that there is no real division between industry and commerce there follows inexorably the fact that what is wanted as the top representative organ is not a Confederation of British Industry nor an Association of British Chambers of Commerce but a Confederation of British Business, to which body - whatever name may ultimately be given to it - we refer hereafter as CBB (1972, p 14)

The Commission admitted that there were “formidable difficulties, practical and psychological, in the way of unification” (1972, p. 12). They noted the opposition that they had heard from “active loyalists on both sides, who were naturally attached to their own institutions” (1972, p. 13). It is argued, however, that the company which has to send one executive to a committee of a Chamber and another to a committee of the CBI or a TA, in both cases to talk about the same thing, may take a different view. Furthermore, opposition, particularly on the Chambers side, seemed to assume much more sacrifice of independence than would be necessary or desirable. The Report stated:

The Chambers would not enter a confederation of British business as a junior partner. They would bring with them two great assets - their knowledge of multi-sector regional opinion and their connections with international trade. It seems to be feared that the latter would be lost if the Chambers were to combine in any way with another organisation. We cannot see why this should be so. The city interests which are members of the CBI have wide international connections; they continue in financial affairs to speak to the Government through the Governor of the Bank of England. All the large employers’

associations are members of international bodies that connect those that carry on the same trade (1972, p.13)

The Commission argued that such a new body could be so constituted as to preserve for the Chambers both their value as regional organs and their international connections. 'Fusion' was not seen as a process whereby Chambers of Commerce, the Chamber of Shipping and other bodies simply adhered to the CBI. The Commission argued that a combination was possible which gave full scope to the Chambers' activities and evaded any practical problems. The practical objections the Commission had heard from both sides appeared to "presuppose something close to a CBI-ABCC merger" and did not arise under sort of consideration they have in mind (1972, p. 14). The most significant of these was the difference in the level of subscriptions: eg, the fear companies would join a Chamber in order to get CBI services "on the cheap". This fear disappeared, however, if CBI company membership was limited as proposed.

Public Law Status

It was noted that in most other countries the Chambers of Commerce were separate from other commercial representative bodies. The Commission argued, however, that this could not be justified in other countries either, and that the reason for the separation appeared to be "purely historical". The Commission concluded:

A business man needs to be represented both in relation to his trade or industry and in relation to the place in which he carries on business. But the pattern of keeping the two representations in entirely separate compartments seems to us to be outmoded and we see no reason why Britain should not lead the way in breaking with it (p. 14)

They also pointed out another reason, again historical, for the separation in many other countries. Their Chambers had, for some time, possessed public law status, and were therefore not voluntary organisations (discussed in more detail in Chapter 4).

The ABCC argued (see Chapter 4) that public law status would impose a ‘basic measure’ of rationalisation on the Chambers/TA structure, and allow business to put forward its views in a coherent, skilful and sophisticated manner. The Commission “strongly approved” of such objectives but did “not understand how they (were) to be achieved through public law status”.(Devlin, 1972, p. 15). Furthermore, discussions in Brussels did not suggest that public law status would be a disadvantage (Devlin, 1972, p. 14). The ABCC had also proposed demarcation and a tidying up of ‘territorial boundaries’. The Commission, as noted above were sceptical of any notion of demarcation. They added: “Demarcation of service is, of course, possible, but not demarcation of representation: that is the fundamental difficulty” (1972, p. 15). They went on:

It would be easier to divide business in to commerce and industry than to divide it into centre and grass roots level. No body which claims to have a national voice can restrict itself to one or the other. Moreover, we do not see how demarcation, whatever form it takes, can produce the ‘clear unduplicated lines of communication’ which would keep the Government and the EEC Commission informed of the ‘opinions of the whole of British industry and commerce” (1972, p. 15).

Referring to a point not canvassed by the ABCC about the acceptability in this field of compulsory contributions to business organisations, the Commission wrote: “We have not had an opportunity of canvassing opinion on whether it is a proper element to use in this connection; but as we have said, so far as the rationalisation of

employers' associations is concerned, our witnesses were unanimous in the view that compulsion should not be used" (Devlin, 1972, p. 15). Documents handed out at the Devlin press conference summarised their position:

The Commission considered public law status only insofar as it would have an impact on the system of representation in this country and concluded that it was unlikely that its adoption by the UK would bring about the overall rationalisation which the Commission considered was necessary¹⁴

In the Commission's view, "the essential things to be done...(were) the formation of a CBB and the rationalisation of the structure of EOs and TAs within it". (1972, p. 15). Public law status for the Chambers was not necessarily seen as incompatible with a CBB. Therefore, it was hoped that whilst public law status was being considered, the Chambers would participate in discussions regarding the formation of a CBB. If, however, they were not prepared to do this until the question of public law status was settled, the Commission suggested that they should, as soon as possible, "submit...the question of principle to the Government; and that the Government should decide in principle whether or not it is prepared ...to introduce the necessary legislation in Parliament" (1972, p. 15). The Report stated:

We think it highly desirable, but not essential, that the Chambers should form part of the CBB ... we are satisfied that, whether or not the Chambers decide to co-operate, a CBB will afford the best instrument for the representation of industry and commerce in every form, including financial services, shipping and the distributive trades" (1972, p. 15).

¹⁴ Devlin archives, Modern Records Centre, MSS 230/3/8/16

If, however, the Chambers did not take part, another way of providing strong organisations in the regions would have to be provided. The present regional organisation of the CBI was not satisfactory and, therefore, strong regional organisations would have to be built up by the CBI “in conjunction with the regional branches of constituent member associations” (1972, p. 16). If, meanwhile, the Chambers obtained public law status but remained outside a CBB, this need not diminish the power and effectiveness of the current CBI . This had not happened elsewhere on the continent and “there (was) therefore no reason to think that public law status would destroy the potentiality of the CBI-EO and TA structure as a nucleus of a CBB” (1972, p. 16)

Resources, Staff and Small Business

The Commission anticipated that although their proposed reorganisation would save money that was currently being spent on ineffective representation, “the cost of providing really effective representation with the sort of staff and the backing” they had in mind would “be more than what is saved” (1972, p. 12). They investigated the financial resources of representative organisations, both in Britain and abroad. They were not able to do this on a thorough statistical basis but gathered enough information “to provide significant pointers”. They looked, firstly, at the resources available to organisations at the national level and at the second tier; and, secondly, at the level of contributions made by companies. It appeared that, in both cases, Britain was some way behind the other EEC countries. They concluded that their sponsors should undertake a fuller and more detailed comparison and publish the results. The Commission also looked into the staffing of representative organizations and concluded that the overall standard of staff was not as high as it should be. As documents handed out at the Press

Conference put it: "It hoped that the development of stronger federations would lead to some form of career structure which would attract able staff to association work".¹⁵

The Devlin Commission also argued that the situation regarding small business was not "a well-organised state of affairs" (1972, p. 79). They argued that the voice of small firms was best expressed through a national organisation as 90 per cent of the problems which small business face are the same, whatever the industry. They also proposed that such a national organisation should make itself heard through a central body, such as the CBI. There were two reasons for this. Firstly, an independent body would not be powerful enough on its own. Secondly, an independent body would mean two voices at the top. The Commission, therefore, proposed a Small Business Council within the CBB.

Conclusions

The Commission are arguably over optimistic about what could be achieved. It is suggested, for example, that people and organisations look beyond their narrow self-interest and towards 'the good of the nation'. They admit, for example, that they are 'asking a good deal of the CBI' who would be in for 'a period of rather difficult readjustment' (1972, p. 57). The businessman "whose eye hitherto has been fixed only on the immediate benefits which an association can bring to him" would also have to raise his sights" (1972, p. 57). They also suggest 'honorary executives' take a 'wider view of their responsibilities' (1972, p 71) and write that there would inevitably have to be from sacrifice from those having to undergo the changes (1972, p. 57). Within the first few pages of the Report there are references to businessmen not working for themselves alone; indeed, of the modern businessman working "for himself and for the nation" (see Devlin, 1972, p. 6). The Report goes on:

¹⁵ Devlin archives, Modern Records Centre, MSS 230/3/8/16

Professional men have long derived satisfaction from the thought that besides earning a living they are serving some cause - the lawyer, the cause of justice, the journalist freedom of speech, the doctor all humanity. The business executive who is doing his job properly is contributing thereby to the economic prosperity of the nation and is entitled to reflect that he is securing not merely his own necessities and comforts but also those of his fellow-countrymen

Whilst it is true that a businessman may derive *some* satisfaction from the good he is doing, this does not mean this is a significant motive or that he would sacrifice his own self-interest ¹⁶ The impression given by the Report, however, is of individuals and organisations who would (or could be persuaded to) go against their own interests (at least in the short term). Admittedly, the Report often implies that any 'sacrifice' is only temporary: stating, for example, that "the representative position of the CBI will be improved by putting it at the head of a stronger structure" (Devlin, 1972, p. 54). It could also be argued that the language of the Report reflects the times (and that we must not evaluate it from the perspective of 21st century 'Post-Thatcherism'). The early 1970's were an era of 'tripartism', prices and incomes policies, government intervention, full employment and so on¹⁷. Arguably, there was also a greater attachment to 'partnership' and 'solidarity' than exists today. It was also a time of a great modernisation agenda (as discussed in Chapter 4), similar to Britain under Blair, and this included the belief that business associations needed reform. In a sense, however, the Reports over-optimism was 'proved' in that so little of it was implemented. The Commission believed that a move beyond 'pure self-interest' by associations and companies could help get us from where we were to where we needed to be. Reform, in other words, could come from

¹⁶ However, in a more social democratic culture as outlined by Marquand narrow self-interest may place less of a role.

¹⁷ Although Heath won the 1970 General Election on the (for the time at least) right wing 'selsdon man' manifesto, his famous 'U turns' quickly took policy back towards the post-war consensus'.

within, rather than through compulsion or government intervention. This was too optimistic. The flaws within the report become increasingly clear once business, government and the press gave their reaction. It is this to which we turn in the following chapter.

Chapter 7:

The Response to and Implementation of Devlin

This Chapter has three purposes. Firstly, it is to outline the reception to the Report. We are not concerned here with the reviews of Devlin by academics (this is covered in Chapter 3). Instead, the focus is on the reception the Report received from business associations and government departments, and to review its coverage in the press. Secondly, the chapter looks at the extent to which Devlin's recommendations were implemented. Particular reference is paid here to the Advice Centre which was set up in 1974. Thirdly, we provide a brief summary of business representation reform between 1974 and 1992.

Reception of the Report

Business associations (the CBI in particular) considered the Commission's findings and recommendations carefully and in detail. It cannot be argued, therefore, that the Report was not given a fair chance. Given that companies and associations funded the Report, business would no doubt have hoped that it would find much to agree with. Too often, however, a detailed discussion of the Report resulted in disagreements with its findings. It should be noted at the outset that the Government had no view on the Report's recommendations (*interview with Macdonald, 22nd Sept 2004*). We turn, therefore, to the views of business.

Macdonald recalls that there was disappointment from some CBI staff and some trade associations who had wanted a 'blueprint' of the German kind (*interview with Macdonald*, Sept 22nd 2004). *The Scotsman* (16 November), meanwhile, referred rather 'vaguely' to the Glasgow and Dundee chambers having 'welcomed the report', whilst Mr Bernard Scott, President of the Birmingham Chamber of Commerce, commented in *The Birmingham Post* that he was glad the Commission did not see public law status as being incompatible with a CBB. He also agreed that every company should belong to a chamber. More importantly he added:

Much study and discussion will be required before any reaction can be given to the proposal that a number of national organisations should combine in a new Confederation of British Business (cited in *The Birmingham Post*, 16 Nov).

The ABCC, meanwhile, issued a statement on Devlin at the beginning of 1973 (National Archives, LAB 10/3737¹). Their conclusions came a few months before the CBI's formal reply (see below) and were reached after a series of regional and national discussions (the next step was to be a detailed study of the practical implications of the Report including formal and informal discussions with the CBI and others). Most of Devlin's proposals met with the ABCC's broad approval: as the statement put it, "The nine main recommendations of the Report are all constructive in character and deserve general support". There were, however, reservations regarding the proposed CBB. On the burden of work, "No such organisation exists anywhere in the free world. There is a very real risk that it could be enmeshed and strangled by its own administration". On cost, the ABCC argued that it was "dealt with in far less detail and with far less concern

¹ There are two newspaper articles referring to this statement in the file. The Daily Telegraph, 8th Jan 1973, and an unnamed newspaper article (likely to have been *The Times*) from the same date.

than is merited". Devlin called for universal membership of appropriate trade associations and chambers of commerce. The ABCC argued, however, that "it is by no means certain that this particular recommendation will be taken sufficiently to heart by British business to provide adequate funds for ... the recommended Confederation of British Business". They felt, therefore, that such an organisation would require some kind of statutory backing for subscriptions. Finally, the ABCC felt that the whole notion of a 'CBB' was rather vague. At some point Devlin seemed to be suggesting a complete merger, at others a separate new 'umbrella' organisation, and occasionally it appeared related to the CBI in the same way as the CBI included and extended the former FBI. Such comments back up the idea of the Report being unclear in places (as discussed in Chapter 6). The ABCC insisted, however, that their statement did not mean an outright rejection of the CBB: instead, there needed to be further clarification. Indeed, the authors paid tribute to Devlin's "important and thoughtful" contribution to the "urgent problem of improving the coverage and quality of industrial and commercial representation in Britain". It gave a warning, however, that worthwhile, effective and permanent improvements would have to emerge from free discussions between and within the organizations concerned. In a sense, this confirms the pluralism climate of the time: it was not, on the whole, seen as the role of government to stimulate reform.

The Retail Consortium and the Chamber of Shipping declined to comment until they had examined the report further (*The Guardian*, 16 Nov). The CBI, meanwhile, issued a press release which began:

The way in which British Industry and commerce organises itself for consultation, study and negotiation must affect the quality of our democracy and our ability as a trading nation to make a proper contribution to world prosperity (MSS 230/3/8/16)

The press release went onto say that the CBI (along with the ABCC) would be considering Devlin's findings within their organisation in consultation with their members. In addition, the two Presidents, the Director General of the CBI, and the Director of the ABCC would continue to meet together to review any action to be taken in relation to the report (MSS 230/3/8/16)². The CBI and ABCC, therefore, gave, in Keegan's words, "a guarded reception to the report" (*The Guardian*, 16 Nov). The CBI, in particular, were probably surprised by the prominence given to the ABCC which until the recent reorganisation had appeared very much in the background (LAB 10/3737³).

The CBI certainly took Devlin seriously. Firstly, there was widespread consultation among the membership (MSS 230B/3/3/3). The CBI President, Michael Clapham, refers to this in the 1972 Annual Report stating: "as the year ended we were engaged in extensive consultations with our membership about its implications for the CBI" (1972, p. 6).⁴ Both the General Purposes Committee and the Council also had preliminary discussions on Devlin before Christmas, and the Finance Committee examined the financial implications of its proposals (MSS 230B/3/3/3). In the New Year, meanwhile, it was discussed in detail by each of the CBI's twelve regional councils and the Smaller Firms Council (MSS 230B/3/3/3). It was also discussed with representatives of member Employer Organisations and Trade Associations and with the companies and organised who subscribed to the cost of the Inquiry (MSS 230B/3/3/3).

G McDonald's article on Devlin states that "the CBI, decided on 21 March 1973 not to accept many of the central recommendations of the Devlin Report"

² These meetings are discussed further in the next section.

³ Again, the above mentioned newspaper article which appears to have been in *The Times* (8th Jan 73).

⁴ CBI archives, Modern Records Centre, Annual Reports 1965-95, MSS 200/C/4/G4

(McDonald, 1973, p. 37). This is a reference to CBI Council.^{5 6} As the President puts it in his introduction to the 1973 Annual Report:

In March, CBI Council debated the report of Lord Devlin's Commission of Inquiry into the present state of Industrial and Commercial Representation in the UK. Although Council did not endorse the report in its entirety, members did wholeheartedly accept the need for a strong body to represent UK business at the national level and the desirability of a consensus on issues affecting industry and commerce as a whole. This sentiment was strongly reinforced by the events that ensued in the course of the year (p. 6)

CBI Council appreciated "the thorough way in which the Commission had carried out its inquiry" and was grateful for the "thorough and imaginative" analysis of the problem (MSS 230B/3/3/3). They were "convinced that the report of the Commission has stimulated all of us in British Industry to take action as quickly as possible to make representation more effective although we do not in all cases agree with the specific recommendations made" (MSS 230B/3/3/3). Revealingly CBI Council believed that the great strength of industrial representation as it had developed in Britain was its "essentially voluntary nature". Individual companies decided what institutions they needed and how much they were prepared to pay for them. The CBI, therefore, "could not support any proposals which included an element of dictation (MSS 230B/3/3/3).

The CBI accepted that the 3 tier pyramidal structure as outlined by Devlin had "considerable logical appeal". They doubted, however, whether the "great structural

⁵ Incidentally, the Devlin Report had called the CBI Council 'a constitutional lawyers' nightmare', noting that the industrial and commercial associations have over 40 per cent of the seats, but contribute only 12 per cent of the CBI's income (Devlin, 1972, p. 11)

⁶ See also Modern Records Centre, CBI Council files, MSS 200/C/1/1/C.

changes” involved would be impossible. Furthermore: “The search for symmetry for its own sake could weaken rather than strengthen the representation of British Business” (MSS 230B/3/3/3). However, they endorsed the need for strengthening, and in some cases rationalising the EO and TA structure. They noted that in the context of EEC membership there was a “most urgent need for re-examination of existing arrangements. Indeed, on these grounds alone, industry should note the recommendations of the Report and act where it is necessary and practicable for them to do so” (MSS 230B/3/3/3). It should be made clear to companies, however, that they regard the £70,000 figure in the sense meant by the Commission: in other words, only a guide rather than the sole criterion of an organisation equipped “to speak effectively...in the highest quarters” (MSS 230B/3/3/3).

CBI Council recognised “the stimulus which the Commission’s report has given to achieving a more effective representation of industry, and while not in agreement with all the guide lines proposed, is determined to offer all the help it can to gain that end” (MSS 230/3/3/3). They were particularly positive about the formation of the Advice Centre which, amongst its tasks, could “embark on a pilot study of the possibility of creating more formal links with certain chambers of commerce and reducing overlap of activity” (MSS 230/3/3/3). Within the CBI, however, there was “almost unanimous opposition to the suggestion that small companies should be excluded from membership” (MSS 230/3/3/3).

The CBI, therefore, rejected much of what the Commission had to say, not least the proposals for a merger of the CBI and the ABCC and the restriction of direct company membership. Their response, moreover, clearly demonstrated an attachment to voluntarism and a pluralist model of business/government relations. CBI Council thinking is summarised in the Annual Report of 1973 (pp. 30/31). It is noted they (p. 30):

- Appreciated Devlin's thoroughness
- Accepted the view of the commission that effective representation was vital, in particular so as to put over views more effectively within an EEC context and so as to provide this industry with more financial resources overall
- Moreover, the Council's conclusions were simply a beginning. Much more work would need to be done on the report and the CBI would play a full part

However (pp. 30/31):

- Council did not foresee any advantages in merging the CBI/ABCC. However, they felt that there should be closer liaison and removal of overlapping effort between chambers and the CBI at regional level.
- Council rejected proposals for the restriction of direct company membership and changing the structure of the smaller firms council. Instead, Council saw individual company membership by firms of all sizes as being a great strength for the organisation. Everyone eligible who wished to join the CBI should be free to do so.

Nevertheless (p.31):

- In the spirit of the report, however, Council proposed strengthening the smaller firms council by way of greater participation from trade organisations and from the regions
- The Council welcomed the notion of an Advice Centre which would give advice to companies and trade associations contemplating rationalisation, and also act as a continuing spur for change

A CBI memorandum from Sonia Elkin to Mr Webb (dated 21st November 1972 - therefore shortly after publication of the Report) also provides an interesting insight (MSS 200/C/3/A/5/33). This states that Devlin was right to see psychological objections within the Chambers of Commerce to merging with the CBI. It will, Elkin suggests, be an uphill struggle as “however it is played at the end of the day the CBI is going to provide the nucleus of the new central body”. Furthermore, “it is unreal to imagine that everyone is going to approach this matter entirely objectively, even if they wanted to”, given that it will be staffs of the Chambers and the CBI who will be “seeking to influence industry to adopt attitudes to safeguard their positions and futures”. Elkin also suggests that it would make more sense to build on the existing CBI regional offices, “because these are already established and operating, whereas the existing Chamber of Commerce structure is extremely patchy both as to presence and effectiveness”. The CBI regional bodies, therefore, could be built into the “true regional limbs of the CBB, whilst the individual Chambers of Commerce, retaining their autonomy and independence, provided the local presence and were linked to the CBB through the new regional structure which would be built on our existing presence”

Government Departments

The National Archives (LAB 10/3737) reveal how the Report was seen by the Department of Employment. David Brown, a civil servant within the Department, had asked civil servants for comments on Devlin (20th December 1972). M Robert’s summary back to Brown (simply entitled, *Devlin Commission into Industrial and Commercial Representation*) is particularly revealing, demonstrating an awareness of the problems but also a lack of interest by the Department. Generally speaking the recipients of the minute had no comments. Such comments that were made were along the lines that the Department would welcome a reduction in employers associations as this would result in the remainder being strengthened and able to give a more

professional service to their members. Rimington saw at least some role for government, arguing that the Report might present an opportunity for either the Department or the DTI to impress on employers associations that the Government wanted to see mergers and receive fewer Association Secretaries. The only reservations came from Atkinson who was uneasy about the notion of very restricted company membership of the CBI. It was felt that employer membership allowed the CBI to be more up to date and progressive than the British Employers Confederation used to be. Roberts concludes: "That apart, there seems to be a muted welcome for a non event". Such attitudes are, in a sense, indicative of why attempts to reform associations have run into difficulty.

Brown's paper to Bayliss (LAB 10/3737) (dated 7th March 1973 and simply entitled *Devlin Commission of Inquiry into Industrial and Commercial Representation*) argues that the details regarding the proposed CBB were 'woolly'. Moreover, it again mentions the training division's concern about the proposal to restrict direct company membership. Brown argues that the proposals had a certain logic and tidiness about them but they suggested a compromise between the present situation and the general principle in Europe. The nature of the compromise was vague: perhaps deliberately so. Brown had spoken to the CBI itself and they had stated that the smaller companies in their membership were not happy about the proposal as most of them belonged to industries which either had no employers organisation or a very ineffective one. The CBI said that the proposal was unlikely to be adopted in the near future as it depended upon a radical change in financial arrangements.

Bayliss wrote to J L Edwards on 8 March 1973 (LAB 10/3737). He argued that whilst there was a general welcome for the recommendations of a CBB and the merging of employers associations in the same industry or sphere of interest, some Branches wished that the merging process had been pressed harder. He continued: "Presumably,

the Department would hope that the recommendations about mergers would be put into effect but that is probably best pursued with the CBI and particular associations as occasions arise". Such thinking again symbolises the pluralist thinking of government: whilst acknowledging the need for reform, it was not the role of government to become involved.

The Press

The Devlin Report received a great deal of press attention. It may not have been, 'front-page' news (a small article, for example, appearing on page 89 of *The Economics*). This was partly due to the more pressing economic concerns of the day.⁷ Nevertheless, the archives reveal that coverage of 'the press conference' appeared in the news pages of *The Daily Telegraph*, *The Financial Times* (FT), *The Guardian*, *The Birmingham Post*, *The Scotsman* and *The Times*. The FT and *the Times* had editorials on the topic, and feature (or 'comment') articles appeared in *The Guardian* and, again, *The Times*.⁸ Whilst researching this thesis, a further article has been found: the above mentioned piece in *The Economist*, 18 November 1972.

T Fraser, in an interview with Grant, argued that Devlin had suffered a lot from adverse press publicity. Furthermore, too much attention had been given to the question of the relationship between the CBI and the chambers of commerce which was only a minor aspect.⁹ Certainly, many in business would have gained their first impressions of Devlin from the media and poor press coverage, in that sense, would have proved unhelpful. Whilst not *totally* discounting the views of Fraser, the press coverage uncovered is, on the whole, better described as mixed rather than poor. Furthermore,

⁷ This is a factor to which we will return. At the time Britain was suffering from some deep-rooted economic problems, not least with inflation and Government attempts to control it.

⁸ All these articles have been found in the Modern Records Centre, Devlin archives, MSS. 230/3/8/16

⁹ This interview took place in London, 11 February 1981.

analysis was in no way restricted to the proposed CBI/ABCC merger. However, the more 'controversial' aspects of the Report (such as the merger) would naturally have stood out in people's minds. Could this, along with the lack of a 'glowing endorsement', have accounted partly for the Report's lack of implementation? This seems doubtful. Macdonald, for example, argues that the press coverage was 'not damaging'. He states that the Report was aimed at people who were on the Council of trade associations: the Commission were not looking for headlines. In Macdonald's view, therefore, the press coverage was simply not relevant (*interview*, 22nd Sept 2004). The reasons for the Report's failure, therefore, go deeper than the media. Of more significance perhaps, were Devlin's flawed proposals, and Britain's attachment to a voluntary system of business representation.

It is interesting, nonetheless, to focus briefly on the print media. This can be noted, in particular, for a clear recognition of the problems of business representation, stressing the importance of reform given EEC entry, outlining the corporatist ('tripartite') economic thinking of the day, and expressing a belief that reform of associations would come via the firm. Whilst it was acknowledged that a CBB could be helpful under tripartite arrangements, there was also a concern that capital and labour could become over powerful. *The Daily Telegraph* (16 Nov) argued that Devlin's "recommendations and comments underlie much of the obvious. There are too many trade associations and employers organisations, whose performance is inadequate and service function weak. Companies are not getting value for subscriptions....and government departments pay little attention to but a handful of them". The article argued that the main impetus for reform was likely to come from the muscle wielded by the 70 companies who put £100.000 into funding the Commission. *The Financial Times* (16 November), meanwhile, stated that "the structure of trade associations and employers organisations in the UK is notoriously fragmented compared to the continent. While the British tend to make a virtue of untidiness, the Devlin Commission is right to

point out that in this field untidiness plays a large part in ineffectiveness". Rather tellingly, and with echoes of the company state, the FT adds:

The attitude of the leading companies in industry is crucial. Many of them may feel that their own private contacts with Government Departments are more productive in, say, influencing legislation than anything a trade association can do

Likewise, civil servants will often tend to prefer dealing with decision makers as opposed to trade association representatives. The FT concludes, "the only way to break out of this vicious circle would be for the leading companies to co-operate in strengthening their trade association (or where necessary creating it out of several overlapping units) and to ensure that it has the resources necessary to do a proper job

¹⁰....Without the active support of the leading companies, the bulk of industry will be inadequately represented and its ability to influence events in Whitehall and in Brussels will remain limited"

Victor Keegan argued, in *The Guardian* (November 16), that Britain would have the most powerful employers organisations in the world if the Devlin proposals were implemented. It would mark a further boost for the "already powerful" CBI. As Keegan puts it, "from the employers point of view the prospect of having all business opinion....under one roof marks the culmination of eight years work to correct a balance of power which, it was felt, greatly favoured the unions".¹¹ Future events would, to some extent, question this assumption given the CBI's resistance to merger. Nevertheless, Keegan refer to 'risks' or 'dangers' in Devlin's proposals as well as benefits. During the 'ill fated' Downing Street talks on inflation where there had to be

¹⁰ This, the FT suggests, is particularly needed in mechanical engineering.

¹¹ Keegan suggests that the CBI felt constrained in government relations as it was largely still the mouthpiece of manufacturing.

separate talks with the Retail Consortium (which brings together retail interests) and the Chambers of Commerce as the CBI alone could not provide assurances to the CBI on retail prices. He writes:

One effect of the Devlin proposals would be to consolidate all the employer bodies involved in the talks into one body. This will ease the path of any future tripartite talks, although it is bound to increase fears about government by corporate state

Keegan concludes that “it would be surprising if this did not prompt the TUC into exploring ways by which it could combat the increasing influence of employers.....Whatever happens, corporation and trade union influence on Government policy would prevail at the expense of the domestic consumer....There is no danger yet that Big Business will become Big Brother but it would be as well to build in the safeguards now”

A great deal of coverage appeared in *The Times* (16 Nov). As its Editorial put it (in rather *Olsonian* terms!):

As is only natural in the country which fostered the industrial revolution, history and tradition have greatly helped in shaping the various institutions which express the opinions of the business community. An honourable past is not enough, however, to equip industry and representative bodies for the future. In many respects, industrial and commercial representation in this country is now outmoded - as will be brought out more clearly when we enter Europe.

Reflecting the, arguably ‘outdated’, economic views of the time, The Editorial goes onto say that if, *as must be hoped (my italics)*, a Tripartite approach to managing the

economy is to be encouraged, then industry along with commerce and finance must “speak with a unified voice at the conference table”. Echoing Keegan’s views in *The Guardian*, it is suggested that a “great shortcoming” of the recent round of talks was that the retail trade and food manufacturers had “no effective voice”. This, the editorial suggests, did not go unnoticed by the TUC (Trade Union’s Congress). *The Times* also points out that in Europe, “strong and clear speaking” will become even more important in that we must be in a position to speak on equal terms with our counterparts. The editorial concludes:

The Devlin Report will cause much heart searching...But the Devlin Report is intentionally provocative as must be any report which seeks to alter well established and time-honoured institutions. It is now open for all interested parties to make their opinions known

A *Times* article by Guy Hawtin, meanwhile, (also 16th Nov), suggested that “the only interests damaged by Lord Devlin’s conclusions are those of the smaller trade association.. He also writes that the “tone of the report” indicates that there was considerable opposition to the CBB proposals from the Chambers, and that Devlin could not have failed to have rubbed the chambers up the wrong way by saying he did not understand how a more rational structure could be achieved through public law status. There is some truth in this (as demonstrated by the discussion on public law status in the last Chapter).

The Economist (18 November 1972) provided what was probably the most critical article on Devlin. It stated that “it hardly needed a £100.000 investigationto identify the main trouble with trade and employers’ associations and their ilk: there are too many of them”. The article goes onto argue, that “entry into the EEC makes it absolutely necessary to change the system. European trade associations are

more logically organised, larger and therefore richer. Consequently they have better staff and more authority". It also suggests that the proposal for closer 'formal' links between the CBI and the Retailers' Consortium would be fought hard by some retailers on the grounds that the consortium is "totally unrepresentative of the more modern shop". *The Economist* concludes:

Unfortunately, his (*Devlin's*) report does not suggest how to get from the present proliferation of associations to his ideal. He even admits that it will probably be necessary to have another commission to settle the details of a merger between the CBI and the chamber of commerce if the idea is agreed in principle ¹²

A particular problem referred to is 'status'. "There is considerable local importance", the *Economist* writes, "in being president for a year of, say, the left-handed bracket makers' society and being photographed in the chains of office". This may "give more satisfaction than actual work". Furthermore, the current set up is referred to as a good way to avoid restrictive trade practices legislation. ¹³ The article says that "the answer lies in industry's own hands". However, careful reading of the press response to Devlin suggests another possibility: industry *left to their own devices* will not make the necessary self-sacrifice and Government 'intervention', or at least 'encouragement', may be required.

Implementation of Devlin

As we have seen, the business community did not agree with many of Devlin's recommendations. The CBI insisted that they were not "politely shelving the Devlin

¹² The article adds that there is some doubt whether this is given the chambers desire to achieve public law status.

¹³ *The Economist* refers to this as the *raison d'être* of many small price-fixing trade associations.

Report” (*The Times*, 22 March, 1973). Nevertheless, there was not much “noticeable progress towards implementing its recommendations” (Grant and Marsh, 1977, p. 73). Grant and Marsh (1977, p. 28), for example, note that Government did little to actively encourage the implementation of the Report, a point echoed by Macdonald (*interview*, 22nd Sept 2004). Macdonald went on: “it (*government*) had no levers, the levers were only in the hands of companies” (*interview with Macdonald*, 22nd Sept 2004).

The Advice Centre

Boswell and Peters write of the Devlin Report:

This latest effort at rationalisation in a chaotic field soon evaporated into a vague rhetoric of ‘discussion’ or ‘contract’ and hopes of purely voluntary reform through a small advisory unit in the CBI (Boswell and Peters, 1997, p. 99)

This is a reference to the Advice Centre, set up, in line with the Commissions recommendations, to serve “as a source of information for...trade associations contemplating rationalisation and as a continuing spur to change” (CBI Annual Report, 1973, p. 31).

An extract from *The CBI Director-General's Supplementary Report to Council*, (September 1973), notes that the Advice Centre initially operated on a very modest scale as its eventual usefulness could only be determined once in existence (MSS 230B/3/3/6). It went on:

Its function will be to disseminate information on confidential terms derived from the evidence submitted to the Devlin Commission, and to carry out

specific research on request which would help where proposals for rationalising trade organisation structures are contemplated. It would also make constructive proposals in areas where some effort at rationalisation would seem to be required, or where its advice was sought (MSS 230B/3/3/6)

Fraser (who had been Director of the Devlin Commission) agreed to accept initial responsibility for the service. If it was successful the plan was, in due time, for the Centre to become financially independent on the basis of charging fees for work done (MSS 230B/3/3/6). A letter from Fraser to Campbell-Anderson towards the end of November 73 illustrates its humble origins (MSS. 230B/3/3/6). Fraser refers to the temporary accommodation which had been provided at 21 Tothill Street since the beginning of November. This had allowed a small start to be made on the Advice Centre experiment, and Fraser (as part-time Chairman) had secured a full-time Secretary in the shape of Reg Stuart. His letter refers to full-time secretarial assistance being required along with two rooms – one for Stuart and Fraser, the other for the Secretary.

The formation of the Advice Centre was announced by the CBI and the ABCC in April 1974 (MSS 230B/3/3/6). It operated independently and on a modest scale, and with the benefit of the balance of the fund collected to finance the Devlin Commission (MSS 230B/3/3/6). It had a part time staff of two and a secretary headed by Fraser, who acted as 'Principal'. The Centre had been concerned to make itself available to advise and help associations achieve closer relationships or other moves to achieve a more coherent system. It had assembled an up-to-date record of all representative organizations and collected information on changes contemplated or under discussion. Indeed, evidence was cited of change amongst organizations. In the previous three years 140 bodies had ceased operations and a further 250 had indicated changes involving

mergers. 55 organizations had said they were looking at changes involving closer relationships (MSS 230B/3/3/6).

A review of the progress of the Centre was made in early 1975 by Lord Netherthorpe, along with industrial leaders, and other former members of the Devlin Commission (see MSS 230B/3/3/6). They recommended to the CBI and ABCC that the Centre be formally constituted with an appropriate Chairman and Board or Committee to establish its identity and significance more effectively with industry and commerce. They also felt that the Centre should no longer limit itself to providing an information service and advice but also take initiatives to encourage the development of a more integrated representative system. When (later in 1975) the Centre was formally constituted with a Board, Lord Netherthorpe became its first Chairman (with Fraser continuing as Principal).

The Devlin Commission had hoped to publish a register of all existing trade associations and employers' organisations as an appendix to its report.¹⁴ The Commission was not able to complete the register in time and, therefore, they expressed the hope that the Advice Centre would build on the Commission's information and build a complete record of all representative organisations. This took place in the periodical publication of *The Sectoral Representation of British Industry and Commerce*. These were a guide to employers' organisations and trade associations in the United Kingdom and the links between them. Seven editions were published – the last in 1981.¹⁵

¹⁴ Such a register, it was felt, would illustrate the existing degree of fragmentation among representative organizations (Devlin, 1972, p. 127). However, the Commission decided not to publish as register as with the information and the time at its disposal accuracy could not have been guaranteed. The Commission, therefore, decided to publish only a table of the number of associations which it knew to exist in each of the main sectors of industry (Devlin, 1972, p. 127).

¹⁵ The archives also hold two additional manuscripts 'Edition number unknown' (MSS 230B/4/1/8, and MSS 230B/4/1/9)

The Advice Centre was, however, little more as a gesture to Devlin. It was only in operation for a few years (the archives reveal how the work of the Centre ‘fizzled out’ around 1981/82), and Fraser remained principal until 1981.¹⁶ As Macdonald puts it, the Advice Centre folded when Fraser felt that “people weren’t knocking on the door and seeking advice”. Not much happened, Macdonald argues, and this says a lot about trade associations (*interview*, 22 Sept 2004). The Advice Centre operated, as we have seen, on a modest scale. Fraser, for example, in his interview with Grant in February 1981¹⁷, reveals that it had received private funding for a couple of years and since then he had worked four days a week but only been paid for one. He only had basic secretarial services. In the Centre’s defence, its operations were broadly consistent with those advocated by Devlin. The Report foresaw a modest organisation with only a few staff (although whether they envisaged one as modest as that which occurred is debatable). Furthermore, Devlin agreed that the Centre should be wound up if it was not proving useful. It must be noted, however, that the Advice Centre was only a small part of the Report. It was intended to work alongside other key aspects of the Commission’s recommendations and these, as we have seen, failed to materialise.

In many ways the Advice Centre was fighting an uphill battle, as demonstrated by Grant’s interview of Fraser. This interview reinforces many of the points made by Devlin. Fraser revealed that the Centre had written to large companies in the engineering industry asking for lists of the associations of which they were members: this could run into three figures. Often this task was delegated and Fraser would receive back a subscription list which included charitable bodies. A Chairman would sometimes ask for a justification of the number of bodies but this always caused problems. As an example, say there was a subsidiary in Wigan and the managing director was going to be the next President of the Wigan Chamber of Commerce. This would be seen as

¹⁶ Fraser died in 1982

¹⁷ London, 11 February 1981

important to his standing both locally and in the company. Indeed, the problem would not just be the *next* President, but the *current* President. He would be putting considerable effort into his role and would not want a lot of upheaval. There would be a tendency for him to say, 'let the next chap do it'. The staff would, obviously, not want to be made redundant but even if their jobs were safe, there would still be considerable loss of status for a man who had been 'running his own shop'. Fraser stressed how delicate the process of bringing about mergers and reorganisations could be. An example he gave, was of things starting off well with a golfing weekend at Gleneagles¹⁸. However, one association had been 'affronted', had pulled out, and the whole thing collapsed.

Further Reform

Some additional change occurred which was within the *spirit* if not the *letter* of the Report. At CBI Council in March 1973 it was agreed that: "The CBI will undertake a series of discussions with the large companies in each sector to acquaint itself with their wishes in regard to rationalisation" (MSS 230B/3/3/3). In his Supplementary Report to CBI Council in July 1973, the Director-General referred to conversations that 'the President and I' had had with the President and Director General of the ABCC. At the last of these they were accompanied by several regional council chairmen and representatives of some of the major members. The Director-General went on: "We hope shortly to be able to announce agreed steps aimed at preventing our inadvertently expressing conflicting views, especially on the European front, and at identifying possible areas of unnecessary duplication of work" (MSS 230B/3/3/6). In September 1973, meanwhile, the Director-General referred to arrangements between himself and the Chief Executives of a number of Eos and TAs. These had 'got off to a good start' and it was hoped that they would become a continuing feature of the organisation.

¹⁸ Gleneagles is/was an expensive British Rail hotel in Scotland with a golf course.

Conversations were also continuing with chambers of commerce at both national and regional levels. The Director-General noted, however, that progress was “turning out to be slower than I had hoped” (MSS 230B/3/3/6)

The 1973 *CBI Annual Report* refers to the above discussions between the Presidents and Director Generals of the CBI and the ABCC which were continuing at the year end. In the 1974 *CBI Annual Report*, meanwhile, the CBI President, Ralph Bateman, writes:

Follow up action continued on the report of Lord Devlin’s Commission of Inquiry into the state of Industrial and Commercial Representation in Britain. Meetings between myself and the Director-General and our opposite numbers at the Association of British Chambers of Commerce were held and we all hope that closer co-operation will continue to develop at both national and local/regional level. (*CBI Annual Report*, 1974, p. 6)

No reference to Devlin, however, would appear in the 1975 *CBI Annual Report*. The President referred to the need for the CBI to be a stronger body but this was within the context of an Independent Review on the CBI’s aims and organisation. This Review, prepared by Lord Plowden, Sir John Partridge and Sir Philip Allen, was sent to the director of the CBI at the end of 1975, accepted by the CBI Council in January 1976, and attention paid to the early implementation of its recommendations. Devlin, it would seem, had become a distant memory. As Grant and Marsh put it:

It cannot be said that a great deal has been done to implement the recommendations of the Devlin Commission since 1972. The Association of British Chambers of Commerce has moved into a vacant part of the CBI’s building and a special liason group at Presidential level has been set up to

coordinate the work of the two organisations. However, sharing the same offices does not necessarily lead to good relations, as the precedent of the Federation of British Industries and the British Employers' Confederation shows (1977, p. 77).

Why Did Devlin Fail?

Why, therefore, was so little of the Devlin Report implemented? Or, to put it another way: why did Devlin fail? Chapters 5 and 6 showed how the Commission ignored much of the evidence they collected. This chapter, meanwhile, has outlined the critical response the Report received by business. The ABCC was concerned about the practicalities of a Confederation of British business (CBB), whilst the CBI was firmly against both a CBI/ABCC merger and the restriction of direct company membership. There is some evidence, therefore, that there was a mismanagement of the process. The Commission had misjudged the mood of business and appears, in some senses, to have been over-optimistic about what could be achieved. The Report clearly stated the obstacles (or 'inertia') that had to be overcome if reform was to occur. However, the Commission had no clear grasp of how to get from where we were to where we needed to be. It is interesting how Macdonald now acknowledges that the Commission made mistakes: not least on pushing the idea of a CBI/ABCC merger too hard, and not being forceful enough about the inadequacies of many associations (*Macdonald interview* Sept 22nd 2004). Arguably, there also needed to be some form of external stimulus. Government, with its pluralist mindset, was unwilling to provide such a stimulus; indeed, the Report saw little role for the state in any reform process. In the next Chapter we look at how government took a greater interest in rationalisation of trade associations in the 1990's, arguably, with some degree of success. In the concluding Chapter we return more generally to the discussion as to why Devlin failed.

Business Association Reform: 1974-1992

There was little business association reform between 1974 and 1992. The Labour Government of 1974-79 was preoccupied with various economic crises and more interested in building up alternative structures such as the NEDC. The Thatcher Government, meanwhile, would have seen government-led reform as too corporatist. In 1988, Lord Young, the then Secretary of State for Trade and Industry, abolished the sponsorship divisions which had helped to foster government/trade association contact and he denounced TA's as "the lowest common denominator, producing mutual dependency between sectors and sponsoring civil servants" (*Financial Times*, 16 January 1988). For much of the post-war period, government's relationship with industry was conducted through these divisions; they were responsible for particular sectors of industry. Sponsorship had a special importance for the nationalised industries; almost all relations were conducted by the sponsoring department. Sponsorship divisions dealing with sectors outside government industries, moreover, had three main functions: acting as representatives of their industries within government; explaining government policies to their industry; and acting as a source of specialised advice and expertise within government (Grant, 1993, p. 53).

It must be emphasised that the 'spokesman' function does not simply involve the uncritical representation of the views of industry within government (Grant, 1982, p. 31). Civil servants emphasised that departments with sponsorship responsibilities needed to be 'critical lobbyists' (Mueller, 1985, p. 101). By pooling the views of the industry and placing them in the context of government policy, the sponsorship division compensated the faults of an often incoherent system of business representation; in other words, it aggregated the views emerging from an industry. On the whole, however, the sponsorship divisions did not compensate for these weaknesses. Wilks argued, for example, that "the whole concept of sponsorship is to some extent a

pretence". Sponsorship was a "passive, best-endeavour sort of relationship, it involves no planning and little policy-implementation capability" (1984, p. 194). Young's abolition of sponsorship divisions and their replacement by 'market divisions' reflected a further shift towards the 'company state'¹⁹ Whilst there would still be a role for trade associations they were seen to vary in quality and the new arrangements would give the DTI more scope to decide where the weaknesses were. The loss of the sponsorship divisions would affect the quality of business-government relations. The DTI received complaints from trade associations that they didn't know where to go, that there was no one to talk to regularly, and that the department was not listening to industry.

More generally, the Thatcher Government was often seen to ignore the views of business, in particular the CBI which was deemed too corporatist, and tainted by the tripartism of the 1970's (Grant, 1993a, p. 114). In 1981 the then Director General of the CBI called for a 'bare knuckle' fight with the Conservative Government. The Thatcher Government "outmanoeuvred and disarmed the CBI" (Middlemas, 1991, p. 354). As Middlemas puts it:

The CBI's 'subterranean opposition to the government's macroeconomic stance set Ministers looking elsewhere, to the Institute of Directors, or the executives of individual companies for support and confirmation (Middlemas, 1991, p. 350)

The Thatcher administration, however, had more dialogue with business than the rhetoric would suggest. Boleat, for example, describes the notion that the CBI was 'shut out' during the Thatcher years as 'spin'. Even if Thatcher herself did not like the

¹⁹ The Market divisions were seen to be ineffective and were eventually replaced by divisions concentrating on a set of policies or programmes such as information technology, manufacturing technology, and the environment and business. Government responsibilities towards specific industrial sectors were handed out to 'task forces'.

CBI, this did not bother the DTI who would still deal with the organisation (*interview*, Sept 16th, 2004). May, McHugh and Taylor reviewed developments in the system of business representation since 1979. They argued that the consultative relationship with central government departments did not change dramatically. When it did it was due more to the widening impact of legislation from the European Union than to changes in Whitehall practice (May, McHugh and Taylor, 1998, p. 275). Whilst it is true that the CBI's status as a peak organisation weakened under the Thatcher Government as the 'single channel' approach declined, the result was not to silence the voice of business, but rather to permit a variety of voices to be heard (May, McHugh and Taylor, 1998, p. 270). To some extent, Margaret Thatcher and her supporters listened and consulted with individual entrepreneurs instead of those "flying under organisational colours" (May, McHugh and Taylor, 1998, p. 270). However, a number of these groups enjoyed greater influence than before 1979. As stated above, the example often cited was the Institute of Directors (IOD). The Chambers of Commerce, however, also achieved greater recognition (see Grant, 1993a, p.p. 166-21). Furthermore, "the Conservatives activity encouraged the small business organisations which had emerged in the 1970's to become involved in consultations with relevant government departments" (May, McHugh and Taylor, 1998, p. 270). Neither did the 'Thatcherite' DTI present a totally 'unwelcoming face' to trade associations. As May, McHugh and Taylor put it (see, 1998, p. 271), relations between trade associations and departments are mediated primarily through civil servants and their attitudes change much more slowly than ministers.

Commenting on attitudes towards business associations within the DTI in 1991, a senior civil servant stated that there was continuing concern about the effectiveness of trade associations. He added: "Trade associations are very difficult to move. They are

still on a long list of things we would like to do”²⁰ In the early 1990’s, however, the DTI’s efforts were concentrated on revitalising the chambers of commerce movement. A civil servant commented, “we have taken the slightly easier target of chamber of commerce (rather than trade associations). We could see that by making a contribution we could get a very much better chambers movement”.²¹ Government interest in revitalising the chamber movement was signalled in a speech by Lord Young at the ABCC dinner in 1989 at which he spoke of a new era of cooperation between government and the chambers. As Grant puts it (1993a, p. 120):

Their strengths as a chosen instrument of government in the enterprise culture were the very features that were regarded as their weakness in more corporatist times: their individualistic character, breadth of membership, decentralisation, and a high proportion of smaller companies in membership

Such ideas were taken forward by Nicholas Ridley in the form of better business support provision, and finally implemented by Peter Lilley. The DTI contributed £150,000 towards an electronic information network to link chambers; made funds available under the Enterprise Initiative for organisation and marketing studies for chambers; and seconded administrative grade civil servants to help with the rationalisation process. The ABCC, meanwhile, commissioned a report by Professor Robert Bennett, then of the LSE. The rationalisation scheme adopted following the report envisaged around fifty core chambers covering the UK. Each core chamber would have at least 1,000 members, thirty to thirty-five staff, and an income of at least £1 million a year, excluding government training schemes. By the end of 1991, almost thirty chambers had achieved the standard required. Furthermore, seven major chambers had joined the ABCC, leaving only two major chambers outside the national

²⁰ Interview conducted by Wyn Grant for his book ‘Business and Politics in Britain’, 1993a.

²¹ *ibid*

organisation. Most chambers did not want statutory backing which they feared would lock them in too closely to government policies. The ABCC instead decided upon a limited form of government backing in terms of legal recognition for the name Chamber of Commerce and Industry. Indeed, the ABCC had to reassure its membership that chambers would remain independent representative bodies and would not be in the pockets of the DTI. As Grant puts it, “any thorough reform of British business associations, however well-conceived, tends to founder on the attachment of business persons to a voluntary approach which means that firms can opt out of chamber membership (Grant, 1993a, p. 121). Such thinking is echoed by Bennett: “businesses fail to act beyond their narrowest interests, and their capabilities as a whole suffer. Arguably, that is Britain’s key business problem” (*Financial Times*, 4 June 1991)

The recession of the early 1990’s, however, “encouraged a new momentum to the scrutiny and review of trade association effectiveness” (Grant, 2000a, p. 174). It encouraged business to think again whether they were getting value for money. Macdonald, for example, has commented on how a great deal of rationalisation in the past few years has been driven by economic pressures, and that such pressures did not bite at the time of Devlin. Put simply, there were not enough economic pressures in the past to stimulate reform (*interview*, 22nd Sept 2004). In his words, “it’s a dreadful thing to say but we didn’t have a sharp enough recession” There was an oil shock a few years after Devlin but we came through this. It was the early 1990’s recession “which made things begin to happen” (*interview*, 22nd Sept 2004). In addition, this critical mood was made more significant than earlier waves of concern because it was matched by a revival of interest on the government side when Heseltine was appointed to the DTI. Arguably, the logic of membership and the logic of influence had converged. It is this to which we turn in the following Chapter.

CHAPTER 8:

The Heseltine Initiatives

Following the Conservatives victory in the April 1992 General Election, Michael Heseltine was appointed Secretary of State for Trade and Industry. Heseltine remained at the DTI (Department of Trade and Industry) until 1995 when he became Deputy Prime Minister (the post he held until 1997). It should be noted that on taking on his new appointment he retained responsibility for 'competitiveness' issues (see below).¹ Unlike many of his Conservative predecessors in the post (such as Sir Keith Joseph who advocated the abolition of the DTI), he had frequently called for a more prominent and central role for the department. Heseltine would resurrect the traditional title of President of the Board of Trade and spoke at the 1992 Conservative conference of intervening "before breakfast, lunch, tea and dinner to help business" (cited in Crafts, 1994, p. 209).² In 1990 Margaret Thatcher had referred to "Michael's long-standing corporatist and interventionist views" (Thatcher, 1993, p. 841). Whilst not disagreeing with Thatcher's economic agenda, Heseltine did not consider it to be enough; hence the competitiveness agenda he pursued at the DTI (see Heseltine 2000, pp. 415/17).

In contrast to his more sceptic predecessors, Heseltine reasserted the virtues of sponsorship and consultation. As he puts it:

¹ 'The Competitiveness Unit' moved from the DTI to The Cabinet Office of which Heseltine was now in charge.

² His exact words were: "If I have to intervene to help British companies, like the French government helps French companies, or the Japanese government helps Japanese companies, then I'll tell you I'll intervene before breakfast, before lunch, before tea and before dinner. And I'll get up the next morning and I'll start all over again" (cited Heseltine, 2000, p. 431).

As Secretary of State, Nicholas Ridley had forbidden the use of the word ‘sponsorship’. I now told the permanent secretary that I wanted to change this approach. We would interest ourselves in the industries we sponsored – and say so (Heseltine, 2000, p. 422).

The Department, for example, sponsored the insurance industry, whilst also acting as its regulator. There were legitimate grounds for criticism of the performance of the sector, and Heseltine asked companies for “four or five bright young executives” to second to the department (*Heseltine and Kemp interview*, April 12th, 2005). A report was produced by this joint team, in many ways very critical of the industry, and ‘indignant chairmen’ were far from impressed. Heseltine recalls a meeting with them. “Why have you attacked us in this way”; to which they received the reply: “it’s not us, it’s your employees” (*Heseltine and Kemp*, *ibid*).

In Heseltine’s words, “the essence of what (*we*) tried to do was the competitiveness agenda”. He gives the “analogy of one thousand organ stops, you gain half a per cent here, a quarter per cent there. It accumulates over generations” (*Heseltine and Kemp interview*, *ibid*). Such an agenda was, however, inconsistent with the proprietor-led ethos of the larger-circulation press (Heseltine, 2000, p. 416). There was “no press interest. Newspapers that served shareholders’ interests are interested in shares, not in business” (*Heseltine and Kemp*, *ibid*). The Department tried to change culture; Heseltine believes with some success. This partly involved the relationship between the civil service and industry. Heseltine considered “representation and its relationship to the institutions of government” to be amateur. He recalls, moreover, that “the trade association issue consisted of a myriad of associations who wanted to get subscriptions out of their members” (*Heseltine and Kemp*, *ibid*). (a clear reference to the logic of membership as outlined in Chapter 3). Kemp pointed out the importance of ‘soft infrastructure’ for improving competitiveness; in other words, “business having

access to relevant and timely information”. Trade associations and chambers, however, were not capable of providing this (*Heseltine and Kemp*, *ibid*). Reform, however, would not be easy. In Kemp’s words, “it’s easy to underestimate the petty jealousies of people who’ve got their chains of office”, not least “if your whole life has been about being president of this or that organisation” (*Heseltine and Kemp*, *ibid*).

Heseltine claims that officials had a better understanding of the interests of TAs than the TAs themselves (*Heseltine and Kemp*, *ibid*). In a sense, this is indicative of his low opinion of trade associations. He proposed, therefore, to bolster the quality of officials in the sponsorship divisions, which until then had been quite a backwater (*Heseltine and Kemp*, *ibid*). In Heseltine’s words, “Ten trade association staff, ten officials make notes, ministers never see them, a load of baloney. We said to them ‘Don’t waste our time, you know what’s wrong with this company and this industry’” (*Heseltine and Kemp*, *ibid*). Heseltine appears to have seen many meetings with TAs as rather formalistic; they were nervous about telling it like it was in their sectors for fear of upsetting their members. The implication of his argument is that better officials could have a beneficial impact on trade associations. In other words, the logic of membership predominated; Heseltine was trying to boost the logic of influence.

Speeches, White Papers and TA Agenda

Heseltine’s message on associations was two-fold. He wanted industry to have strong and effective associations; and whilst he wanted to ‘bring them in’ they had to earn their place by being good enough (*Macdonald Interview*, 22nd Sept 2004). In June 1993, in a speech drafted by Macdonald, he spoke on trade associations at a CBI conference.³ He noted that “remarkably little objective assessment appears to have been made about the

³ Macdonald revealed that he had drafted this speech in an interview with the author (*Macdonald interview*, 22nd Sept 2004).

effectiveness of these (their) activities, or their practical value to member companies”

(Heseltine, 1993). He made some highly critical comments, such as:

It is widely believed that many trade associations simply do not have the resources they need to be effective - because of a fragmentation in coverage, because key companies are not members, or because the industry they serve is not prepared to provide the funds required (Heseltine, 1993)

His speech outlined three objectives (1993, pp. 6-8, cited in Bennett, 1997c, p. 5):

1. For TAs to develop both their expertise and resources so as to allow them “to be in a position to influence Government policies”
2. For TAs to play “a bigger role in promoting the international competitiveness of their member companies”
3. For TAs to be more influential “in contributing to new Government initiatives’ and ‘helping Government serve industry better”

More specifically, he argued that every sector should have “at least one well- resourced trade association equipped to serve its members effectively, to engage in serious debate with government, and to promote the competitiveness of their sector” (Heseltine, 1993).

Heseltine gave a further speech to the CBI in 1995 in which he both repeated his objectives and took stock of progress since 1993 (Bennett, 1997c, p.5). He stated that mergers, where appropriate, would lead to more effective and more powerful trade associations and that these mergers could be achieved without the loss or dilution of the interests of the particular niche industries within sectors. He asked companies to be more ambitious, in particular where there was a plethora of small and large associations all aiming to represent the interests of members within the same sector. He added that

he would welcome federations if they led to more effective representation. He noted, however, the risk of the federation simply adding another layer of bureaucracy or of it just being a nominal sharing of interests and information or only a paper exercise. If this happened it would be unwelcome as it would create the appearance of change without substance.

Trade associations also began “to find a progressively more prominent role in the Government’s Competitiveness White Papers” (Bennett, 1997c, p. 5). The first, in 1994, mentioned TAs only briefly and in the framework of a “more generally conceived partnership of Government with industry” (Bennett, 1997c, p. 6). It claimed that “The Government works closely with trade associations and individual companies to identify and pursue complaints about distorting aid offered by other countries” (quoted in Bennett, 1997c, p. 6); that Government works through sponsoring divisions of various departments: eg to encourage TAs “to set up benchmarking clubs to compare current practice, identify best practice and seek improvements” in individual companies (quoted in Bennett, *ibid*); and working with government, TAs “should give priority to the development of high-quality export advice and support” (quoted in Bennett, *ibid*). In the 1995 White Paper, meanwhile, ‘sponsorship’ becomes a separate chapter, and TAs gain a more prominent position: “Trade associations and professional bodies have a vital leadership role...good trade associations and professional bodies are not only influential promoters of their sectors but are proactive in helping their members become internationally competitiveness” (HM Government, 1995, p. 52). The sponsorship approach by Government “encourages the development of more effective trade associations and professional bodies... it also encourages the development of well-resourced and effective trade associations... the more effective trade associations and professional bodies become, the more influence they will exert on government and the greater the service they will render to their industries” (*ibid*, p. 52)

The 1996 White Paper, meanwhile, takes things further: “Through *sectoral sponsorship* activities, Government Departments are working with trade associations and individual companies to foster an understanding of the competitive positions of the various sectors of the economy, to help companies in the sector compete effectively in world markets and to ensure that government decisions...take full account of the needs of business’ (quoted in Bennett, 1997c, p. 5). Furthermore, a consultation paper was issued alongside the 1996 White Paper and this sought views on improving this relationship, moving away from the ad hoc form of much activity to a more systematic structure, so as to create a greater “customer pull rather than a Government push” and to reduce duplication of activity” (quoted in Bennett, *ibid*).

The Government’s policies were driven by four chief features (see Bennett, 1997c, p. 6/7). Firstly, there was a recognition that it was difficult for government and its Departments to deal with the large number and fragmented organisation of different associations . It would prefer to deal with a reduced number. Richard Page, the Small Firms Minister, for example, commented that “In due course, I would like to see a situation where there are no more than, say, 60 Trade Associations or Federations representing industry to Government. Each such body would be recognised as the Lead Association for its Industry” (quoted in Bennett, 1997c, p. 6). Secondly, the role of Lead Associations would be to improve TA performance mainly through more efficient use of association resources, ie economies of scale so as to produce high quality industry research and representation. This would not be “a rigid structure of representation.... with the CBI as some kind of national federation heading a series of lesser federations below it,” but instead is focused on increasing effectiveness (Heseltine, 1993, p. 9). Thirdly, there were two intended targets: one contributing in a direct sense to the business practice of members, and a second of satisfying Government’s needs. Fourthly, the main contribution to members is seen in terms of increasing industry’s competitiveness.

It is useful to expand on the above mentioned notion of 'lead associations'. Heseltine was, in a sense, suggesting that government would only be willing to talk to one association from each sector. In other words, officials were only allowed to talk directly to the 'serious' trade associations. As he put it in Parliament on the 8th February 1995:

I want to see powerful, well-resourced and effective trade associations which represent the interests of all within their sector. To encourage that process, I have said that officials should refer to me only proposals or representations from a lead association in a sector (www.parliament.the-stationery-office.co.uk/pa/cm199495/cmhansrd/1995-02-08/Orals-2.html, accessed 17/12/03).

Furthermore, in response to a Parliamentary question stating that without one umbrella lead Government would receive only "a host of confused and muddled messages", that this would waste the time of officials and Ministers, and that, worse of all, this would result in trade associations doing a disservice to their members by not putting their views coherently to Government ⁴ Heseltine replied that he agreed, adding:

There are too many trade associations. Many are small and under-resourced. If they are to represent their members effectively to the Government and the European Commission with a wider audience, there is room for rationalisation and we in the Department of Trade and Industry are doing what we can to encourage this (<http://www.parliament.the-stationery->

⁴ The question was, in fact, put by Richard Page who would later, as we have seen, become Small Firms Minister at the DTI, working under Heseltine

office.co.uk/pa/cm199495/cmhansrd/1995-02-08/Orals-2.html, accessed 17/12/03).

MacDonald effectively outlines Heseltine's position (see 2001, p. 6). The DTI intended to deal with perhaps a dozen or so 'lead associations', each covering a large sector of industry; all of the Department's formal consultations with industry would be channelled through these associations; and, furthermore, the Department would be informing individual TAs where their representations were falling short of the necessary standards. As Macdonald puts it, Heseltine wanted officials in his Department to be far more outspoken to trade associations as to why their representations "had been put in the dustbin" (*Interview*, 22nd Sept 2004). The DTI, however, published no list of "lead associations". Indeed, "the Department dealt gently with requests from fairly specialised, and not that impressive, Associations that they be recognised as the 'lead association' for their abstruse sector of the economy" (2001, p. 6). Furthermore, written representations from small TAs were not returned unread; nor were their letters passed to larger associations for the latter to comment on them; and the efforts of an association usually had to be "particularly unimpressive" before a civil servant would criticise them to the face of the Association (MacDonald, 2001, p. 6). Nevertheless, Macdonald refers to one occasion where a trade association complained at the bluntness of a letter sent by one of his staff. The letter was 'strikingly blunt' and explained how hopeless the association's representations had been (*interview*, 22nd Sept 2004). Heseltine also got into the habit of telling the Directors of associations when their demands were unrealistic. In other words, explaining "that they were never going to get this one" (*Macdonald interview*, 22nd Sept 2004). Heseltine recalls that the DTI did not make a point of sending associations report saying 'you've failed in this way or that'. Instead, civil servants were told to concentrate their work on trade associations known to be the best and let it be known that that was what they were doing. There were various degrees of explicitness about the process, it was not a question of lining up six

and saying ‘this is the winner’ (*interview with Heseltine and Kemp*, 12th April, 2005). In a sense, therefore, things were done on a ‘nod and a wink’; there was some hesitation about pushing trade associations too hard.

The main initiatives of the Heseltine era can, in conclusion, be summed up as follows (Bennett, 1997c, p. 7). Firstly, following Heseltine’s 1993 speech there was a major attempt to raise awareness among TAs of the needs and objectives of Government. Secondly, a best practice guide to a ‘Model Trade Association’ was launched in January 1996. This was a 13-point plan, focusing in particular on TA services and governance (see below). Thirdly, financial support was given by the DTI to the trade association benchmarking initiative. The first stage of this work was completed in June 1996 and led to the development of benchmarking clubs and other comparison mechanisms for association self-development (again, see below). Fourthly, the ‘Sector Challenge’ initiative was announced in October 1996. In addition, there was a major study of mainly large TAs published by Mark Boleat, the Director-General of the Association of British Insurers, one of the largest TAs (Boleat, 1996). This has been influential on association self-development, stimulated the increased role of the Executive Director of TAs, and encouraged benchmarking (Bennett, 1997c, p. 7).

The Best Practice Guide for the Model Trade Association

Richard Page had the idea of producing a check-list of what a good trade association should be doing (*Macdonald interview*, Sept 2004). This resulted in the *Model Trade Association*; the booklet published by Page in February 1996. It was developed by the DTI in consultation with a wide range of representative bodies in industry and commerce. It sets out the key characteristics that a modern best practice Trade Association should display along with the services it should provide. All British government ‘sponsoring’ departments were committed to discussing the ‘model’ (as it

is popularly known) with relevant representative organisations in their sectors, so as to help them to compare themselves with it and identify areas for improvement..

The model provided the underlying structure for most of the work which would be undertaken by the Trade Association Forum (TAF) such as benchmarking activities, research projects, seminars/events and training (see below for a discussion on 'benchmarking' and the TAF). The model appears on the DTI website ⁵ Again, it is put within the context of competitiveness:

The Model has been prepared against a background in which the UK finds itself in a most highly competitive business environment. Government has a role to play in improving our competitiveness, but the prime responsibility must lie with industry itself. Industry's representatives therefore also have a vital role to play in helping it to meet the challenges from increasing world-wide competition and in ensuring that its voice is heard and understood at all levels in the legislative process ⁶

The website goes on to state that "Trade Association Executive Councils and their equivalents may wish to consider whether their association meets the Model criteria and whether their sector is represented as well as it should be". Whilst accepting that the circumstances of each sector may vary, and that it may not be appropriate for some Trade Associations to perform the full range of services, "members of such associations might question whether they are best served by continuing with their current arrangements"

⁵ www.dti.gov.uk/eam/mta/mtawelcome.htm A copy of the full brochure is available by phoning 0870 1502 500 quoting reference URN 96/519. This contains the model alongside some examples of what foreign Trade Associations are doing to help their industries prosper.

⁶ www.dti.gov.uk/eam/mta/mtaintro.html (accessed 12/07/03)

The DTI Model contains 13 ‘key characteristics’ of a model trade association. One characteristic listed, for example, is: “promotes co-operation within the sector, and between the sector, its customers and suppliers, to enhance international competitiveness” (Boleat, 2003a, p. 148). These characteristics are followed by a list of services which they should provide (and what is ‘essential’ and ‘desirable’ to undertake such services). These are that a trade association:

- Works effectively to represent the sector’s interests at all levels of the legislative and regulatory process
- Works pro-actively to improve the sectors competitiveness
- Supplies information and advice to members
- Promotes good public relations and communications
- Promotes exports and other market opportunities
- Promotes training and education
- Promotes standards and product/service quality
- Promotes innovation and technology transfer

The *Model Trade Association* was a ‘wild-fire success’, and taken very seriously (*Macdonald interview, 22nd Sept 2004*). It was widely circulated and achieved wide acceptance among trade associations in a fairly short time. Many trade associations have used it as either a benchmark to measure themselves against or a blueprint for restructuring and reform. Macdonald views it as “very interesting example of the way that government without actually forcing people together or doing anything involving money can set standards” (*interview, 22nd September 2004*).

Benchmarking

Boleat defines benchmarking as “the practice of comparable companies sharing detailed information about their activities so as to enable comparisons to be drawn” (Boleat, 2003a, p. 150). He adds that it has “recently become fashionable, partly because of the encouragement given to the concept by the Department of Trade and Industry”. Trade associations in the United States have long recognised the value in having their own collective body and sharing experiences. In contrast, British trade associations hardly got together at all until the mid 1990’s. That they did so then was due to the coming together of several different forces (see Boleat, 2000, p. 4e).

- The British Government was pursuing an initiative to make trade associations more efficient. This prompted associations themselves to examine their own performance and in some case even to consider merging. Trade association effectiveness was, therefore, higher up on the agenda
- The British Government was providing funding for benchmarking exercises within industries and such exercises were often managed by trade associations themselves. It was therefore logical for trade associations to practice what they preached.
- Associations were starting to come under pressure for other reasons and recognised the need to improve their performance

The first benchmarking exercise in Britain began at the end of 1995. This was when the largest association in the country, namely the Association of British Insurers, convened a meeting of 25 of the largest trade associations to discuss whether a joint benchmarking study was possible. It was spearheaded by Mark Boleat, Director General of the Association, and undertaken by the Compass Partnership, a small consultancy specialising in not-for-profit organisations. Such was the popularity of the

exercise that 27 associations took part. The project received government funding, covered a wide range of trade association variables, and the associations agreed unanimously that the exercise had been worthwhile. Therefore, it was followed up in December 1996 with the formation of twelve benchmarking clubs. These were a practical means to facilitate the sharing of ideas and good practice among associations. They covered areas such as representation, information technology and finance. Again, the Compass Partnership helped to set up these clubs and reviewed their performance. The clubs drew their participants mainly from the 27 associations that had taken part in the first benchmarking exercise. A set of thirteen guidelines were produced for the successful operation of benchmarking clubs. Following the success of the first exercise, the Association of British Insurers, again with DTI support and the co-operation of the Compass Partnership, set up an open benchmarking exercise to which all trade associations were invited to participate. 130 associations took part and *Trade Association Performance* was published in May 1997. This Report established the current performance of trade associations with reference to a wide range of indicators, including the key criteria which had been outlined in the DTI Model Trade Association document. Many elements of best practice were identified which trade associations could seek to adapt. Further benchmarking exercises would follow under the auspices of the Trade Association Forum (TAF), which was set up in the summer of 1997. Such developments are taken up in the final chapter.

The benchmarking exercises of the Heseltine era would not have 'got off the ground' if attempted just five years earlier (Boleat, 1999, p. 2). The DTI initiatives succeeded in promoting a healthy debate around the structure, role, functioning and effectiveness of trade associations, among both associations themselves and their members. The message went out that many firms were being poorly served by their trade associations, and equally the message was received by associations that they had to become more effective (Boleat, 1999, p. 3). Boleat considers it fortunate the

Government was able to fund numerous collective exercises. The 'occasional' critical speech helped to focus attention on trade association effectiveness and, more importantly, the funding of research projects increased substantially the total amount of knowledge on trade association management (Boleat, 2000e, p. 6). The benchmarking work undertaken between trade associations was generally considered to have been successful. Individual associations found the benchmarking reports useful in comparing their position with that of associations generally (Boleat, 2003, p. 13). For the first time, they had hard data with which to compare themselves with their peers (Boleat, 1999, p. 7). The data may have said nothing new for the "best run of associations" but it was likely to have been helpful in persuading the staff and members of association that there was a need for essential change (Boleat, 1999, p. 7). Nevertheless, Boleat remains cautious, arguing that it would be foolish "to say that as a result of benchmarking exercises, trade associations in Britain have all done a number of things to improve their performance" (Boleat, 2000e, p. 4). As is often the case the best associations tend to participate in such exercises whilst those who could benefit the most stand aside. However, most trade associations did look in detail at the results, compared them with their own performance, and took action where appropriate to improve performance. Boleat argues that "at the very least the published document (*of the 1997 Benchmarking Exercise*) gave ammunition to trade association executives that they could use in preparing papers for their governing bodies and perhaps in some cases it gave ammunition to governing bodies to stimulate executives to improve their performance" (Boleat, 2000e, p. 5).

The Chambers of Commerce

It is interesting that neither Heseltine's *Where There is a Will* (1987) nor his autobiography *Life in the Jungle* (2000) refer directly to trade associations. Both, however, refer to chambers of commerce. When asked about the relative importance of

the chambers and trade associations Heseltine replied that ‘they do very different things’ (*Heseltine and Kemp interview*, April 12th, 2005). It could also be that trade associations’ exclusion from *Life in the Jungle* was simply that they are not a ‘juicy enough topic’ for public consumption (*Macdonald interview*, 22 Sept 2004). It was noticeable, however, in the interview conducted for this thesis how he returned again and again to the subject of the chambers. It was difficult to move him onto the topic of trade associations.

In *Where There is a Will* Heseltine referred to the proposed merger of the CBI and ABCC as outlined by Devlin, arguing that it was up to the organisations themselves to decide whether such a merger would be beneficial. He understood their doubts, writing: “there are dangers in over-centralisation and in rigid structures that may not suit the great variety of businesses in the country, large and small” (Heseltine, 1987, p.122). Heseltine argued that a more attractive model of rationalisation would be the one existing in many Continental countries: namely, public law status on its chambers of commerce (Heseltine, 1987, p. 122).⁷ He summed up the approach as follows:

Each is required to act on behalf of all enterprises within its locality and all companies are required to join. The collective voice of business is thus regionally and sectorally representative and so the more powerful in its dealing with government. In return for State funding, through a special tax mechanism, the chambers provide a number of facilities for local business, in such matters as apprentice training, aspects of vocational education, technical counselling or legal advice (Heseltine, 1987, p. 122).

⁷ Public law is not necessarily restricted to chambers of commerce. In Germany, for example, there is obligatory membership of chambers of commerce and the *Handwerk* (*artisan*)

Heseltine considers the performance of the chambers to be “enormously patchy” (*Heseltine and Kemp interview*, 12th April, 2005). Kemp agrees, arguing that in comparison with their continental equivalents they fall well short of their capabilities (*Heseltine and Kemp*, *ibid*). Due to the inefficiency of the chambers of commerce, Heseltine’s DTI, as an alternative, decided to boost regional government offices.⁸ Moving better people into these offices to work with the chambers had a beneficial impact on them (*Heseltine and Kemp*, *ibid*). As Heseltine puts it, “from day one the media hated it, it was so counter cultural to think business and government should be together, instead of getting government off the backs of business” (*Heseltine and Kemp*, *ibid*). *Where There is a Will* had proposed the development of powerful chambers of commerce able to reach beyond regional and national boundaries (Heseltine, 1987, p. 122). Through this increased power, Chambers of Commerce could take on a more important role in training (Heseltine, 1987, p. 123). In other words, Heseltine proposes a shift away from public to private sector activity in training, as in much else (Heseltine, 1987, p. 123). He adds:

Many activities, vital to wealth-creation - such as small firms’ consultancy services or export advisory services - are provided by the public sector; yet the people who need and use these services could organise them more effectively themselves and adapt them to their own purposes (Heseltine, 1987, p. 123).

In his autobiography *Life in the Jungle* Heseltine outlines how part of his agenda was to enhance support for small and medium-sized businesses (Heseltine, 2000, p. 427/8). He echoes *Where There’s a Will* by saying he had long thought support was best given through the chambers of commerce but this was an “uphill battle” due to lack of public law status (Heseltine, 2000, p. 428). He writes:

⁸ Government Offices of the Regions (GOR’s) were set up in 1994 as an attempt to coordinate Whitehall activity at regional level.

With a few conspicuous exceptions, the existing chambers were no match for their better-resourced European counterparts. Most of the latter enjoyed public law status which meant that all companies had to join, and thus pay a subscription to, their local chamber. In this way the private sector on the Continent financed a range of services of a quite different scale and quality to anything available to British companies (Heseltine, 2000, p. 428).

No attempt was made by Heseltine in office, however, to give the Chambers public law status. Indeed, he now believes that there is no prospect of it coming about; culturally it would be seen as interference (*Heseltine and Kemp interview*, April 12th 2005). There was, however, reform in another respect. Heseltine had argued in Cabinet in the early 1980's that the plans for a new training service should be organised through the chambers of commerce. He lost the argument; ministers believing that the chambers were not up to it (*Heseltine and Kemp*, *ibid*). Whilst Heseltine accepted this analysis, not least because they did not have much money, he believed that it was a 'chicken and egg' situation. In other words, he had more faith in what it could lead to: indeed, it could have been another way of achieving the objectives of public law status (*Heseltine and Kemp*, *ibid*). As an alternative to Heseltine's proposals, a strengthened Manpower Services Commission (MSC) was set up headed by David Young (Heseltine, 2000, p. 428). By the late 1980's, however, when Heseltine was on the backbenches, the MSC was seen as too statist and bureaucratic. The Training and Enterprise Councils (TECs), therefore, were born out of the MSC and brought in private sector support and management. As Heseltine points out (2000, p. 428), once the TECs were in existence there were two local organisations competing for local companies attention, as there was no co-ordination with the chambers. Furthermore, there were a growing network of enterprise agencies, and in many cases local authorities had started to provide advisory services and support for small companies, as had the DTI itself. There were also

numerous services funded by European Community programmes. Matters were made worse by some of the TECs starting to move into the business of recruiting individual members, thereby intensifying rivalry with the chambers.

Heseltine, therefore, wished to “create a single, effective support service for British companies” (Heseltine, 2000, p. 429). For this, the TECs and chambers needed to come together to create a one-stop shop for small businesses, and also, the quality of support for businesses had to be “greatly improved”. A “properly organised and unified back-up organisation” referred to as ‘Business Link’, therefore, came into operation. As Heseltine puts it (2000, p. 429):

We now had to persuade as many as possible of the local players - the TECs, the chambers, the local authorities and the enterprise councils - to co-locate and provide a centrally managed to service. We offered to include certain of the Department’s regional and export services through the same network

A high emphasis was placed by the DTI on Business Links in all of the Competitiveness White Papers “to move service delivery nearer to the customer by asking local, private-sector bodies to define and provide the services needed to meet the Government’s competitiveness objectives’ (HM Government, 1995, para 5.29). Heseltine appears to have seen the key objectives of Business Link as twofold (Bennett and Payne, 2000, p. 178). Firstly, to bring greater coherence to the provision of local support services. Secondly, to increase the professionalism, customer focus and quality of service advice, to what would be referred to as ‘world class standards’ in the Competitiveness White Papers of 1994 onwards. Over just one year in operation the number of inquiries received by the network of Business Links each week had risen from an initial 1,000 to 3,000. By the end of the decade inquiries were running at 8,000 a week - 400,000 per year (Heseltine, 2000, p. 430). The Blair government decided to

abolish the TECs and replace them with learning and Skills Councils instead.

Furthermore, the Small Business Service is very much Business Links as Heseltine created them (Heseltine, 2000, p. 430).

Continuity and Change

As Bennett puts it (1997c, p. 29), government policy on business associations has historically been to 'promote' association self-development by encouraging staff improvement, federation or merger to increase the size and lower the number of associations, and improve association links with Government (eg Devlin; Committee on Trusts, 1918; PEP 1957). During the Conservative Government of 1992-97, self-development was still the main approach: there were no significant Government resources or legislation designed to give long term support to sectoral associations, although the 'Sector Challenge' may have given a stimulus to 'short-term change' (Bennett, 1997c, p.29)⁹. Therefore, the interest in TAs revived by Heseltine has to be seen in the context of these earlier discussions: there was "still no suggestion of changing the voluntary nature of Britain's business associations" (Bennett, 1997c, p. 11). In addition to the goal of self-development, however, there was the additional goal for associations to play "a bigger role in promoting the international competitiveness of their member companies" (Heseltine, 1993, p. 7).

With echoes of Devlin, Heseltine stated: "It is notoriously difficult to arrive at an estimate of how many trade associations there are – let alone the kind of revenues they attract or the number of people they employ" (1993, p. 2). Macdonald recalls Devlin asking: "do you have the resources to pay for a Director-General who can speak at a very senior level in Government? If you do not, you should ask yourself if you can". Such an agenda was shared by Heseltine (*Macdonald interview*, Sept 2004), who

⁹ The Sector Challenge is discussed further below.

also believed in TA's potential value in promoting better communication between government and business at sectoral level and in contributing to improved business competitiveness through increased productivity (May, McHugh and Taylor, 1998, p. 261). Whilst the former aim was reminiscent of Devlin, the latter moved the debate on.

There were similarities and differences between Heseltine's approach and that of his immediate Conservative predecessors. As May, McHugh and Taylor put it:

In part he (*Heseltine*) wanted more effective trade associations for reasons of traditional interest representation: the fewer and stronger trade associations there were the better they would be able to tell the DTI what they wanted from government. Neither Lord Young, nor Nicholas Ridley or Peter Lilley, would have endorsed any reorganisation with such an objective. But it is clear that another important element in the Heseltine approach was to persuade trade associations that they should play a key role in improving their members productivity (May, McHugh and Taylor, 1998, p.; 273).

This thinking "fits comfortably with the approach of those such as Ridley and Young who were concerned to find ways in which government could do less and business - or its associations - rather more" (1998, p. 274). However, this should be qualified in that Young and Ridley were sceptical of trade associations and directed their reform agenda towards the chamber movement.

The DTI 'challenge' initiatives were invitations to trade associations to bid in competition for government funds to carry out projects which would promote the competitiveness and prosperity of their particular sectors. The first of these, the 'Benchmarking Challenge', has been outlined above. This was followed by a 'Export Challenge' in 1995 whereby trade associations were invited to come forward with

proposals to promote exports in their sectors. The 'Trade Association Network Challenge' of 1996, meanwhile, sought proposals from trade associations for the use of information technology. The Government, however, went further and extended the Challenge concept to a large proportion of the funds it gave for business support. The aim was to move the design and delivery of business support away from government and closer to the companies themselves. Under the 'Sector Challenge' and 'Local Challenge', announced in 1996 and awarded in 1997, sectorally and locally based business organisations, including trade associations, were asked to come forward with proposals to improve the competitiveness of their industries. The Sector Challenge Budget (Cabinet Office, 1996) provided around £40 million per year combining existing programmes such as Trade Fairs and Industry Training Organisation programmes (ibid). As Grayson puts it, it funnelled public resources towards trade associations who could improve services to their members.¹⁰ Bennett argues that this was the first departure from Government's traditional focus on association self development. (see Bennett, 1997c, p. 32). It appeared to recognise that the use of endogenous resources alone would not result in the rapid and effective development of associations. It also appeared to indicate a recognition on the part of Government that if it wanted associations to do more in relation to its own concerns it would have to pay some of the costs. Bennett wrote: "This is an important break with the past, the most important shift in Government approaches going back to at least 1918" (Bennett, 1997c, p. 32)

In some ways, therefore, the Heseltine agenda fitted the traditional 'voluntary' model, but there was clearly a larger role for government than before. Heseltine's DTI was attempting to push through change. In contrast, the Devlin Inquiry had been initiated by business and had seen little role for government. Whilst they saw merit in Government informing associations why their representations were proving unsuccessful, they specifically rejected any notion of 'government recognised

¹⁰ Speech to Georgia Tech Seminar, Atlanta, USA, April 24th 1997

associations' (Devlin, 1972, p. 67/68). There were further contrasts. Heseltine proposed no changes to the CBI, nor did he attempt to merge the CBI and the ABCC. There was no attempt to 'sort out the top tier': his proposals concentrated on trade associations. Heseltine would perhaps agree with Bennett that the Devlin approach "now appears very constrained by the corporatism of the day" (Bennett, 1997c, p. 11). His 1993 speech to the CBI, for example, brought out some contrast with Devlin, both in terms of national organisations and the value of small trade associations. He makes clear that he is not advocating a rigid structure of representation, "with the CBI as some kind of national federation heading a series of lesser federations below it". He went on:

I am not persuaded that the Continental model would prove ideal, even if it could be successfully transplanted here..... Nor do I believe that every small association necessarily has to be subsumed within a large organisation. Some small associations accept that they are in business to serve niche markets and do a good job - even though I suspect they could often benefit, without any loss of their independence, by pooling resources and effort within a large organisation (Cited Boleat, 1993, p. 21)

Evaluation of the Heseltine Initiatives

It many ways, it is difficult to evaluate the success or otherwise of the Heseltine initiative. As Heseltine himself puts it, their impact was never measured area by area. He adds, however, that it did have resonance and that it was the right thing to do (*Heseltine and Kemp interview*, 12th April 2005). Furthermore, he believes that the only realistic way forward was the one pursued; it would not be practical for government to take more of a lead in such matters (*Heseltine and Kemp*, *ibid*). Boleat, however, is more critical, arguing that Heseltine's "analysis of what was wrong was absolutely right but his prescription for putting it right was absolutely wrong" (*Boleat interview*, Sept

16th 2004). This may appear harsh but it holds some truth.¹¹ Certainly, his idea of talking to one association per sector came as great news to his officials “who didn’t take a blind bit of notice about it”. Most were not even aware that he had said it, or if they were it was quickly forgotten (*Boleat interview*, Sept 16th 2004). Boleat also notes that if you are official trying to get the best outcome you will talk to *anyone* who can help you. There is also a problem in defining a sector. “Are brokers, for example, part of the insurance sector? Is life insurance part of the same sector as motor insurance as both have nothing to do with each other” (*Boleat interview*, Sept 16th 2004). More generally, Boleat was disappointed in that the debate “wasn’t followed through more intelligently”, for example by identifying the sectors which were poorly led (*Boleat interview*, 16th Sept 2004).

There is a paradox, however, in that whilst the policy on lead associations was hardly put into practice, it may have had a lasting influence on TA performance (Macdonald, 2001, p. 6). Macdonald put it to Heseltine that the lead associations “virtually identified themselves”. In other words, there were a few large associations “and the rest are all tiny” (*Macdonald interview*, 22nd Sept 2004). There was, therefore, a tacit acceptance by industry and Government that a group of about twenty associations formed a natural club of ‘lead associations’. Their authority has been enhanced and the smaller one’s have began to forsake pretensions of being ‘lead associations’ (MacDonald, 2001, p. 7). Only the large associations felt that they had a right to see Heseltine quickly, the smaller associations would go to junior ministers or officials: “it’s that sort of informal approach that actually sent a message” (*Macdonald interview*, 22nd Sept 2004). Furthermore, the initiative resulted in many fairly large, established TAs considering whether they were as effective as they imagined - and whether they were likely to receive a similar welcome as before from Whitehall (MacDonald, 2001, p. 7).

¹¹ Macdonald, for example, does not dissent from such a view (interview, 22nd Sept 2004).

Heseltine galvanised people and made them think. If not the chief executive, then the chairman would start to ask a few questions (*Boleat interview*, Sept 16th 2004). Heseltine was, therefore, ‘a clever politician’ who got the debate going in a way nobody else had (*Boleat interview*, Sept 16th 2004). He reinforced the message that in the changing world you needed to think very hard if you did not have the resources “to get the big bang at the top level” (*Macdonald interview*, 22nd Sept 2004). Heseltine’s speeches, in particular, were “powerful catalysts in encouraging change in the trade association sector. A number of trade association mergers can be directly attributed to the climate which was created by the Heseltine speeches” (Boleat, 2000a, p. 63). Boleat provides the example of the Quarrying Industry Association (*interview*, 16 Sept 2004)¹²; whilst Macdonald notes that his discussions with the chief executives of TAs have provided several examples of merger or coalition among Associations “where the Heseltine initiative provided the initial stimulus to change” (MacDonald, 2001, p. 7). Grant, in particular, refers to progress being made, “notably in the hitherto politically fragmented construction industry” (Grant, 2001, p. 341). As Boleat puts it:

In practice the DTI and the government generally did little to seek to implement their policy. However, there is no doubt that Mr Heseltine’s speeches in particular, and the DTI initiative on trade associations generally, served to stimulate interest in the role and structure of trade associations, both within associations and in industry and commerce more generally. A number of associations were prompted to conduct reviews and there was some restructuring within and between associations as a result (Boleat, 2003, p. 22)

¹² Boleat accepts, however, that this could also have been down to a good Chief Executive.

Competitiveness and Productivity

Given Heseltine's interest in business associations and competitiveness, we need to look in more detail at the links between the two. With the end of both neo-Keynesianism and neo-corporatism as credible policy options, an alternative is to see better organised and resourced organisations as helping to improve national competitiveness through an increased role in areas such as training, quality control and export promotion.¹³ Porter (1990, p. 594) has analysed the factors affecting competitive advantage. He notes that the efforts of firms can be enhanced by trade associations upgrading the pool of factors which all the firms in an industry can draw from. The debate has, therefore, been growing about the effect of institutional factors on the success and competitiveness of a country's economy and, as Bennett puts it, "the deficiencies of UK business organisations may be one factor in weakening the performance of the UK economy" (Bennett, 1995, p. 276).

Conservative Government's in particular (as demonstrated by the Heseltine era) may feel more comfortable reinvigorating business associations if it was felt such a policy was helping firms to become more competitive in international markets (Grant, 1993a, p. 196). Moreover, May, McHugh and Taylor argue that the existing network of government-business relations had a "potential attraction for those Conservatives looking for ways in which the state in general, and corporatism in particular, could be 'rolled back'" (1998, p. 273). Two examples are cited. The DTI under Nicholas Ridley

¹³ Essentially, we are referring here to the 'service' function of business associations, as opposed to the 'representative' one. The Devlin Commission's terms of reference (as we shall see) were to focus simply on the latter. The Heseltine initiatives, meanwhile, concentrated on both (see Chapter 6). In reality, however, the factors which would improve the representative functions of such organisations (ie, rationalisation, greater resources, improved staff) would also promote better services. There is, therefore, considerable overlap. It is also the case that organisations better able to carry out their representative (lobbying) could result in better government policy (not to say better Government/business relations) and this could have knock on 'positive' effects as regards productivity, competitiveness and the overall economy. Indeed, As Grant points out, "efforts to improve trade association effectiveness are important and worthwhile if one thinks that government needs representative bodies with which it can have a dialogue about competitiveness and innovation issues" (Grant, 2000a, p. 175).

agreed to give financial aid to restructure the Chambers of Commerce. The intention behind this reorganisation was to produce a more effective Chambers by recruiting additional members and providing a larger range of services. Strengthened Chambers would then deliver various services which had previously been the direct responsibility of the DTI. Such an approach is consistent with “alternative service delivery systems” for previously central or local government tasks - a feature identified by Rhodes as one aspect of a general process of ‘hollowing out the state’¹⁴ (we look at this in more detail in the final chapter). A second example is Heseltine’s advocacy of rationalising the system of trade associations. Part of his approach, as we have seen, was to persuade trade associations to play a key role in improving their members’ productivity.

In the context of this discussion, it is helpful to compare business associations in Britain and Germany. The latter is an example of an ‘associative’ state where business associations play a key role as intermediaries between business and the state (Grant, 1993a, p. 15). German peak associations represent the summit of a hierarchically integrated system of associations (as opposed to being ‘umbrella’ associations as in the UK). The BDI and BSA are associations of associations, with a fair degree of authority over their member associations. The sectoral and subsectoral associations are well-funded, have a high density of membership, have clearly marked out areas of responsibility, and provide a wide range of services to their members (Grant, 1993a, p. 15). In addition to this system of business associations, there is obligatory membership of the chambers of commerce and Handwerk (*artisan*) organisations.¹⁵ Comparative data on British and German trade associations show that German associations are more likely to provide exclusive services to members which

¹⁴ See R A W Rhodes, 1997, p. 53.

¹⁵ Japan incidentally also has a well-developed system of business associations, performing a wide range of functions on behalf of government in areas such as export promotion. As Dore notes (1987, p. 15), industry associations are “the vehicle for a wide range of concerted activities, frequently conducted under the guidance, surveillance, covert condoning, or subsidization of their sponsoring ministry”.

have state support or backing (Grant, 1986). As Lane puts it, they are expected to carry out tasks which would be regarded elsewhere as state functions (Lane, p. 24). They are particularly active in the administration of public policy programmes in the area of vocational training. Germany, for example, relies on industry-wide associations¹⁶ to supervise a publicly subsidised training system. Hall and Soskice write (2001, pp. 25/6):

Because German employer associations are encompassing organisations that provide many benefits to their members and to which most firms in a sector belong, they are well placed to supply the monitoring and suasion that the operation of such a system demands as well as the deliberative forums in which skill categories, training quotas, and protocols can be negotiated

German trade associations, therefore, undertake some tasks more effectively than their counterparts in Britain (and, in some cases, tasks not undertaken here at all!). These include training (skill formation), research and development (including links to Universities), quality management (product quality) and export promotion. Could British business associations play a role in securing best practice in these areas and, thereby, promote industry's competitiveness? It could be argued, of course, that there are far more important determinants of productivity and competitiveness, not least levels of regulation and taxation (consider, for example, the current Conservative critique of 'new' Labour). Furthermore, simply because something works elsewhere does not necessarily mean that it would be successful in a different context in Britain. Following praise for the German model, Grant cautions:

It is, however, one thing to say that it is possible to learn from the operations of German business associations, and quite another to specify how these lessons might be applied in practice (Grant, 1993a, p. 195)

¹⁶ Alongside trade unions

Nevertheless, as Grant writes elsewhere, “there is a considerable body of evidence that well organised and resourced business associations have made a substantial contribution to the competitiveness of German and Japanese Industry”¹⁷ (Grant, 1993a, p. 124). Of course, many would now argue that the ‘alleged’ economic superiority of countries such as Germany and Japan, in so far as it ever did exist, is now rather less apparent (especially in the case of the latter). It seems unlikely, however, that poor business representation is the cause of their problems: in the case of Germany, for example, an over-regulated labour market and an inappropriate macroeconomic framework are of more significance.¹⁸

There is, however, some scepticism as to how far, in a British context, associations can take a leading role in promoting greater competitiveness. After all, firms join associations to derive benefits, political representation being especially important. An attempt by an association to push its members in a particular direction, especially if it involves changing the organisation and structure of member firms, is likely to be resisted (May, McHugh and Taylor, 1998, p. 274). May, McHugh and Taylor indicated that 43% of trade associations claimed to have “some special machinery” for promoting competitiveness but they were unable to make any assessment of effectiveness (May, McHugh and Taylor, 1998, p. 274). Boleat, moreover, argues that there are limits to what can be done beyond, say, statistical exercises (*interview*, 16th Sept 2004). As he puts it elsewhere:

Some associations would not see it as any part of their function to seek to increase the international competitiveness of their members. This would be true for many smaller associations where international competitiveness is irrelevant.

¹⁷ See, for example, Lynn and McKeown, 1988

¹⁸ Although an over-regulated labour market may be part and parcel of a social partnership approach.

Some large associations also have difficultybecause their members include foreign companies as well as UK based subsidiaries of foreign companies (Boleat, 1996a, p. 140)

Many trade associations, therefore, draw the line at matters related to competitiveness. Services such as representation, the provision of statistics and the provision of information are not regarded as competitive matters, whereas, for example, joint promotion and joint funding of research are. Boleat argues that this is an unrealistic view, as ultimately everything is competitive (Boleat, 2003a, p. 147). He writes:

Even the provision of representational services has a competitive element to it. If a trade association did not exist then the chances are that the large companies would be able to influence policy more than the smaller one's, although whether they would be as effective as they would be in a trade association is another matter. Similarly, the provision of aggregate industry statistics is of less value to those companies that constitute a large part of the market than to those that are only a small part. Even anti-fraud programmes, which provide an absolute benefit to all members, provide a greater relative benefit to those companies that are unable to operate anti-fraud mechanisms on their own (Boleat, 2003a, p. 147)

Nevertheless, programmes designed to promote exports or improve productivity can be controversial with some members (see Boleat, 2003a, pp. 147/8). A member will not want to see the association help other members gain a presence in a market where they have a strong market share. Similarly, the most productive in a sector will not want to see its membership subscription used to help other companies become more productive. As well as the risk of opposition from their most competitive and efficient

members, if trade associations start to provide services directly related to competitiveness and the promotion of business, the more they will be stretching the limits of their capability.

Exporting typifies some of the issues discussed above, in that the main competition British exporter's face are other British exporters (Boleat, 2003a, 148). Some elements of export promotion work are fairly uncontroversial. Many associations, for example, pass on export opportunities to their members. They are, therefore, acting as a clearing house or information centre. They may also be involved in trade missions. These can be particularly useful for smaller businesses and where there are major political issues involved. As Boleat puts it, however:

The government seems to want trade associations to have an export strategy for their sectors. While many associations may claim to have such a strategy, it is often not backed up by any concrete action simply because associations do not control their members and association members are not likely to export simply to contribute to someone else's strategy as opposed to their own profitability (p. 149)

Many associations do, however, involve themselves in export promotion work. The 2001 benchmarking notes, for example, that out of the associations whose members exported, 41% had an export strategy to support them and 31% said they took full advantage of government export services (Fairclough, 2002, p. 36). The Report confirms that support for exports is a more important activity for smaller associations than it is for larger associations whose members are likely to be multinational companies (Fairclough, *ibid*).

MacDonald, meanwhile, refers to three ways in which associations can promote the competitiveness of their sectors (MacDonald, 2001, pp. 16-18). Firstly, they can play a valuable role in providing what can be referred to as ‘an internal audit function’ to their members with unpalatable perceptions of how industry may be perceived by consumers (and, hopefully, put forward proposals for joint action to improve matters). From this responsibility, a number of initiatives have emerged, such as restricting membership to companies who meet certain standards and who are inspected before their membership is accepted. As MacDonald puts it, “this provides assurance to those consumers - usually, alas a minority - prepared to restrict their suppliers only to companies who pass a quality threshold” (MacDonald, 2001, p. 16). Secondly, as mentioned above, there is ‘exporting’. The export capabilities of Associations have been analysed in depth in recent years (for example, the Arthur D Little inquiry carried out for Trade Partners UK). A small number of Associations are able to make a lasting impact on sectoral export strategies. Outside of the leading group, however, there are only rare instances of Associations making a noticeable impact on the export performance of companies within their sector. This, MacDonald argues, is not surprising. He goes on:

It reflects the resources available to the smaller associations, the other areas of activity to which they have to give priority, and the difficulty which any Association has in developing a strategic approach towards the export priorities of companies in competition with each other in export markets (p. 17).

Thirdly, there is the promotion of Competitiveness across an Association’s sector. MacDonald suggests that a lot of good work is taking place here. Examples include the Case Study of the Competitiveness Initiative of the Sports Industries Federation and the Federation of Environmental Trade Association Competitiveness programme. The latter addresses a range of issues - the constraints of skills shortages,

the implications of E-Commerce for members, and so on. As regards the former, in 1999 the Sports Industries Federation, in close collaboration with DTI economists and statisticians, undertook a competitive analysis of the sector. It focused on the various market sectors - manufacturing, retailing and distribution - and concluded that there were several areas of weakness. The exercise led to a joint TSIF/DTI Action Plan which advocated the need for action in various areas: eg. education and training, supply chain relationships, protection of trademarks and other forms of intellectual property rights, and so on. This work has influenced the on-going competitiveness work of the Federation.

As MacDonald argues, such schemes “should do much to raise levels of competitiveness, especially at the second and third levels of supply chains” (p. 17).. However, the various initiatives were all stimulated by a DTI initiative. In other words, the work which the DTI funded from the mid-1990’s to improve the motor components supply industry through the Industry Forum provided a template which other sectors could use. Furthermore, they are receiving substantial DTI funding and further informal help. MacDonald is concerned that such initiatives will have little life beyond DTI funding, and that Associations which are not receiving DTI funding will not be able to persuade their membership to have a sector-wide competitiveness initiative. This reinforces the point that progress is limited within a voluntary system. In our concluding chapter we will look further at associations acting as ‘private interest governments’, a role that could allow them to promote productivity and competitiveness.

Conclusions

This chapter has outlined the thinking and initiatives of the Heseltine years. He shared some of the thinking and analysis of the Devlin Inquiry. It is clear, however, that there

were important contrasts, not least in that Heseltine saw a vital role for associations in promoting competitiveness and productivity. There were differences also between Heseltine and his immediate Conservative predecessors (although the competitiveness agenda of the mid 1990's followed on from Young and Ridley in government doing less as associations took on an increased role). The chapter has shown that the Heseltine agenda had an impact in pushing through change. Although policies (such as on lead associations) were often not carried through, his speeches and initiatives influenced the 'climate of opinion' and were, therefore, a stimulus to reform.

Heseltine appears to have attached a great deal of importance to business associations. Macdonald met up with him in the summer of 1992 and mentioned that he had been seconded to the Devlin Commission.¹⁹ Heseltine's response to this was that "You and I are going to work very well together" (*Macdonald interview, 22nd Sept 2004*). Howard Davies, meanwhile, wrote to the DTI in the mid 1990's asking if one of the junior ministers at the Department could talk at a Conference of the Director Generals of Trade Associations (around 200 people would be in attendance). Macdonald was with Heseltine and Richard Page when this request was mentioned. Page stated that he was thinking of giving it, to which Heseltine replied: "No Richard, I think I'd like to go and give that speech if you don't mind" (*Macdonald interview, 22nd Sept 2004*). As Howard Davies put it: "We don't find it easy to get your boss (*eg: Heseltine*) to come and talk about Europe or the economy but on trade associations he'll come at a drop of a hat" (*Macdonald interview, 22nd Sept 2004*).

Macdonald chaired the 2004 TAF awards and he recalls a category of magazine of the year. The panel looking through the shortlists, and he noted that one of the magazines (*Periodical Publishers Association*) had an interview with Heseltine. He was

¹⁹ This was shortly before Macdonald took up the industry job, having been on secondment to the Ministry of Defence (*interview, 22nd Sept 2004*)

talking about publishing but “smack in the middle of this” was a column and a half of his views on trade associations over the past ten years. (*Macdonald Interview*, 22 Sept 2004). Macdonald suggests, therefore, that Heseltine “really cared about having good trade associations. This can be shown by the fact he spoke about his work in this area ten years on” (*Macdonald interview*, *ibid*). We need, however, to be cautious here. Trade associations are important to Macdonald; therefore, he could be overplaying their significance to Heseltine. It was perhaps inevitable that Heseltine would talk about associations in a magazine of this nature. In our interview, Heseltine remarked that this all (*his work on trade associations*) occurred ten years ago and ‘one moved on’. There was little to suggest it was still a topic of particular interest to him (although he may have deemed it important at the time). It does appear, moreover, that he attached greater significance to chambers than trade associations. Heseltine’s main motivation was improving competitiveness (of which business associations were just a part). Perhaps trade association reform should have been *even higher* up on his agenda. Personally, however, he does not believe that it would have been possible for government to take more of a lead (*Heseltine and Kemp interview*, 12th April 2005). It should be noted though that the Heseltine initiatives covered a period of only four years. It makes sense to argue that a reform agenda must be long-term if it is to yield results. As Heseltine himself put it, “if one had twenty years progress could have been made” (*Heseltine and Kemp interview*, April 12th 2005). This, however, is difficult given the nature of democratic politics where ministers and parties alternate in office (although electoral reform could promote stability here). The current Labour administration, for example, has shown little interest in business association reform: an issue we touch upon, among others, in the concluding chapter.

CHAPTER 9:

Conclusions

This concluding chapter has three purposes. Firstly, we bring together the main themes of the thesis, draw some conclusions, and outline why business representation reform has proved difficult. This is undertaken in the context of the three hypotheses listed in Chapter 2. Secondly, we link the debate to the pluralist, corporatist and 'business power' perspectives outlined earlier. We show how a modern day corporatist agenda or business/government partnership *could* prove successful if there were (among other things) an improved system of associations. A change in culture would also be required, however, both for better representation and effective corporatist arrangements, and we discuss whether this is realistic in a British context. Thirdly, we look at developments in business representation since 1997 and some possible ideas for future research.

The Hypotheses

'Structural inertia'

The first hypothesis was based around Olson's theory of structural inertia. There are various problems with his analysis. Firstly, he "tends to overstate the institutional clean break" that occurred in Japan and Germany (Grant, 2000a, p. 57). A broad cross-national study, for example, points to considerable continuity in countries disrupted during the war by defeat or occupation (Grant, Nekkers and van Waarden, 1991). With reference to Germany, meanwhile, Van Waarden notes that "the war did not really entail a break in the development of structures of interest intermediation" (van Waarden, 1991, p. 297). A further problem was that when growth rates changed in the

1990's, with Anglo-Saxon capitalism doing better than Rhenish or Asian capitalism, some concluded that Olson had got it wrong (although others believed that policy-makers had listened to Olson and broken up their producer group lobbies - as in the case of the UK, Australia and New Zealand).¹

There is, however, evidence in support of Olson. His analysis is of particular value in pointing to the problem of political adjustment in Britain. As Grant puts it:

Older industries were able to develop a dense network of institutional protections...which enabled them to slow down the transfer of resources to newer industries through protectionist measures, government subsidies and so on (Grant, 2000a, p. 57).

Furthermore, the number of pressure groups has increased over time, "and the exit barriers preserving groups tend to be higher than the entry barriers in the way of new group formations" (Grant, 2000a, p. 57). Olson, as we have seen, spoke of the difficulties of bringing about mergers. The leaders of associations would not receive the benefits: indeed, they could be eliminated or demoted. Such ideas are confirmed in the evidence to the Commission. The BRIMEC paper, for example (discussed in Chapter 4), referred to some of the difficulties in driving through change: for example, anxiety in the minds of association executives who may lose their jobs and that those who hold honorary positions may find them satisfying. *Issues for Consideration*, moreover, pointed to historical factors such as fear of a loss of identity and the loyalty members have to an organisation; personality factors such as honorary officers and the prestige of officeholding; and the fear of staff losses, questions of finance, and the supplier/user problem. The Report itself referred to much of this, including the difficulty of appreciating that an association may have a common interest with another, excessive

¹ Oxford Concise Dictionary of Politics, 2003, p. 282.

loyalty to an association, and the financial impediments (eg: increased subscriptions for the members of the smaller association). The inertia and resistance to change was further demonstrated in the replies Webb received when chasing up associations for replies to the Commissions questionnaire (see Chapter 4).

The recent writings of (and interviews conducted with) Boleat and Macdonald confirm that rationalisation is not easy to achieve. Boleat, for example, echoes much of the work of Devlin in his reasons why mergers have proved difficult (see Chapter 3). In particular, he stresses the politics of trade associations: they develop lives of their own and can be resistant to change (Boleat, 2003, p. 164). Boleat, for example, says it 'drives him nuts' when people say they always support his seminars, to which he replies: "but seminars are there to support you". People will say that they are very loyal to their associations but associations themselves are an irrelevance: it is the members which matter (*interview*, 16th Sept 2004). Boleat also notes the human factors, arguing that mergers can be torpedoed by the man who is coming up to be chairman next year, or even worse his wife! (*interview*, 16th Sept 2004). As Macdonald puts it, "Devlin was so right, the biggest enemy of reform is next year's President" (*interview*, 22nd Sept 2004).

Can such inertia be overcome? The Commission believed that reform must come from within, prompted by associations themselves and large firms. They added that membership of the EEC may also be a stimulus. Such thinking is again echoed by recent writers. Boleat argues that there are three groups of people who can make things happen in a trade association: the chief executive, the chairman and the large members (see Chapter 3). In his words, good chief executives can push through change (*Boleat interview*, 16th Sept 2004). Big members also have a crucial role, say by removing the chairman or chief executive or threatening to leave the association altogether. Boleat writes that there are two different approaches to achieving mergers (see Chapter 3). One

is to appoint someone, say a distinguished outsider, to drive it through (this, however, tends not to remove the personality problems and so on). The other is the above mentioned notion of the large members resigning *en masse*. In general, however, it is difficult to get companies to devote the necessary time and resources. Macdonald makes a similar point (see Chapter 3), adding that perhaps during a sustained period of economic growth executives have not seen the savings which could be gained from a more effective Association structure as worth the effort required to push rationalisation through. This, however, could change during an economic downturn.

It is clear, therefore, that a great deal of inertia is built into system and it is not easy to overcome. It is wrong, however, to see all reform as impossible. Large firms *can* have some impact (even if they often fail to act). There is some evidence, moreover, that government intervention, in particular, can stimulate reform. However, it could be that only a change in culture (alongside action by government) could allow the obstacles, in any significant sense, to be surmounted. Marquand concedes, for example, that Olson's analysis of the logic of group behaviour in a culture where Benthamite individualism predominates is hard to fault. In such a culture, organised groups will tend to pursue the narrow interests of their own members in a way that runs counter to the interests of the total society (Marquand, 1988, p. 157). He suggests, however, that Olson takes for granted a culture "permeated with the values of Benthamite utility-maximising individualism, ignoring the possibility that other cultures may have different values, embodied in different institutions and manifested in different patterns of behaviour" (Marquand, 1988, p. 157). We now turn to look at such issues in more detail.

Hypothesis 2: 'The Governmental'

There are two different kinds of arguments against government intervention in business representation. Firstly, that 'direct' government intervention is not how we do things in Britain (a view taken, for example, by Boleat). Secondly, the pragmatic one that it would not work anyway. As we have seen, the Devlin Commission saw only a limited role for Government in pushing through reform, and Government in turn did little to implement its recommendations. Government, however, can have a vital role to play in any reform agenda, as shown by the Heseltine initiatives of the early 1990s. Heseltine's policy on 'lead associations' was hardly put into practice, yet appears as Macdonald points out to have had a lasting impact. As Boleat puts it, he made people think, got the debate going, and his speeches were a catalyst in encouraging change. A number of mergers can, therefore, be directly attributed to the Heseltine initiatives, or at least the 'climate of opinion' they created (see Chapter 6 for a more detailed discussion of Macdonald and Boleat's points). It is important, nevertheless, that we do not overstate Heseltine's influence. Fundamental problems remain with British business associations and government finds itself, in Grant's words, talking to a "complicated mosaic of bodies, considerable overlaps of membership and functions, and in some areas, such as small business, open rivalry" (Grant, 1993a, p. 124). The observation made by Grant and Marsh almost 30 years ago that the British system "bears the stamp of its Victorian origins" still holds true (Grant and Marsh, 1977, p. 78).

Macdonald (as noted in Chapter 2) does not believe it is the job of Government to impose reform. It can, however, help to drive it through. In particular, he argues that Government should be doing more to make it clear to associations why they are being ineffective. They should also point out when fragmentation is proving unhelpful to a sectors cause and encourage, where appropriate, ad hoc coalitions of associations. Boleat echoes much of this, whilst stressing that a highly interventionist approach

would be counterproductive. It is unlikely, for example, that officials would be well placed to second-guess what should be done in the sector whereas they would be well placed to say that something should be done” (see Chapter 2). There are strong arguments in favour of voluntarism. As the Devlin Report noted, in a voluntary system dissatisfaction can be registered via resignations and breakaways (see Chapter 5). In Britain there are no restrictions or obstacles in the way of forming new associations. Whilst industrial representation may be weakened by withdrawals and breakaways, it can also be harmed by unrepresentative and inefficient bodies. Such points were made clear in CBI Council’s response to the Commission. They praised the “essentially voluntary nature” of industrial representation, stressing that individual companies can decide what institutions are needed and how much they are prepared to pay (see Chapter 5).

Bennett, however, believes that fundamental problems will remain for as long as associations remain voluntary bodies, where associations have to act through endogenous action (see Chapter 2). There will be path dependency, associations will satisfy the characteristics of endogenous CAP solutions rather than the characteristics desired by government, and there will be ‘free-rider’ issues with collective services becoming a by-product. In other words, a deeper level of government involvement and support is required, through more formal supports and perhaps legislation. Reform, in other words, cannot rely on self-development and endogenous solutions alone. A move away from voluntarism, as Bennett describes it, looks on balance and in principle to be the solution. Boleat, however, rejects any solutions involving compulsion or public law status: “I don’t think it fits in with the British way of doing business” (*interview*, 16th Sept 2004). Indeed, he supports the government line that reform is “nothing to do with us” and that it is up to business (*interview*, 16th Sept 2004). Grant, moreover, argues that any form of closer government involvement or regulation would run counter to the autonomy which is valued by members of voluntary associations. As he writes

elsewhere, there is “a set of attitudes among employers and organised labour” emphasising voluntarism, “including a pluralist view of industrial relations” (Grant, 1993a, p. 30/31). Extensive intervention would probably not be feasible in a British context. In Bennett’s defence, he does realise the limits of reform and appears to advocate some move away from voluntarism, as opposed to a shift to the type of system which exists in Germany or Japan. A phrase he uses (as outlined in Chapter 6) is “voluntary action within a stronger Government support framework”.

The Devlin archives, the Report itself, and the subsequent lack of reform further demonstrate the individualism of British business. The archives noted, for example, that “No solution is going to gain acceptance unless it is in accord with what the companies concerned voluntarily feel is in their interests” (MSS 230/1/G). Business, therefore, often fails to look beyond its own narrow self-interest and does not want government to intervene in its affairs. CBI correspondence noted that any suggestion of compulsory membership would be rejected and in their response to the Report the CBI stated that the organisation would not accept any notion of dictation. BRIMEC and BICEMA, meanwhile, pointed out that membership must not be compulsory and that there must be no official control or interference. The Report itself stated that no one wanted to see EOs and TAs turned into statutory bodies through legislation: on that point there was unanimity.

In Chapter 3 we outlined Boswell and Peter’s three ‘ideal types’ of elite business opinion: the revisionists, the reconstructionists, and the liberationists. The reconstructionists may prove forthcoming when it came to business representation reform. They further argued, however, that this ‘transformational’ ideal-type would historically have less influence on business than the others. In this context, government would be reluctant to pursue a radical agenda vigorously opposed by the majority of business: both in terms of the electoral consequences, and because they would not wish

to lose their co-operation (whom they often rely upon for the successful implementation of their policies). Extensive government intervention would also run counter to the state's pluralist beliefs. Whether or not one uses the notion of a 'developmental state' it is clear that the British state is often reluctant to intervene. Government functions within a pluralist paradigm where business associations are seen as voluntary organisations outside the system of government. Moreover, government attitudes towards business associations coincide with what Lively terms 'arena' pluralism as opposed to 'arbiter' pluralism (see Chapter 2). The latter, after all, would be consistent with a more interventionist state

The logic of membership, as opposed to the logic of influence, has clearly predominated in the UK. In their evidence the DTI were against a register or giving official recognition to associations. Government, in their view, could not deny access to certain groups (the Report itself added that there was *no volume of support* from witnesses for such action). Evidence by the Department's of Agriculture and Environment, moreover, argued that whilst poor representation may be a problem, the loss was to industry and not government. To this we can add that government had no bearing on the Commission being set up, and that whilst the DTI seconded a civil servant this was more for reasons of 'staff management' than anything else (see Chapter 2). Documents from the National Archives, moreover, reveal that the Department of Employment had little interest in the Report, and that whilst they (along with the DTI) would 'welcome' reform and could see its benefits there was a reluctance to become directly involved.

Given the views of government and business it is hardly surprising that Corporatism was not fully implemented or successful in a British context (a point we return to below). In addition, *even if* Britain moved away from the voluntary model of representation it is unclear whether it would yield its full benefits given the 'market

liberal' culture of British business. Given that business is often not prepared to subordinate its short-term self-interest, this would make any business/government partnership difficult. In a so-called 'company state' business associations will be resistant to entering into the kind of partnership relationships with government present in 'developmental states' such as Germany (Grant, 2001). As Marquand put it (see Chapter 2), power sharing requires those concerned to subordinate short-term self interest to the wider long term interest. Such values, however, are alien to British trade associations. Therefore, a change of values may be required *alongside* a higher level of government involvement (indeed, the two could go together: a social democratic culture leading to a more activist state).

Marquand wrote that "it would not be difficult to draw up a list of policy and institutional changes, designed to overcome the various obstacles to adjustment" such as "changes in the relationship between government and the organised producer groups to induce the latter to become more encompassing" (Marquand, 1988, p. 213). This he argues would be the wrong way to proceed: "Devising a list of changes to overcome particular adjustment problems piecemeal would amount, in practice, to yet another exercise in the kind of dynamic conservatism which has so often failed" (Marquand, 1998, p. 213). Marquand argues that "man is shaped by culture, but culture is made by man" (Marquand, 1988, p. 228). Inherited assumptions and values can be cast aside, and the institutions which embody and transmit them can be abolished or reformed. This means that change must go deeper and last longer than the changes brought about by dynamic conservatism. He argues that citizens need to "listen to, argue with and persuade each other as 'equal citizens' to find solutions to their common problems". We must transcend our individual interests and make judgements regarding the common good. For this to work there needs to be wider access to education and participatory experience in self-government gained at all levels.

Marquand is probably stronger on diagnosis than prescription. His proposals can be seen as unrealistic and naïve. Evidence shows that the public are often not interested in politics; indeed, more disagreement and conflict could be the result of his 'humdrum, collegial, conversational' process (Jones, 1991, p. 175). The most we could probably realistically expect in a British context would be for a government to continue the Heseltine agenda, with perhaps (as Macdonald suggests) it being more explicit to associations about their failings. We must also bear in mind Heseltine's point that only long-term reform is likely to bring significant gains. This, however, is difficult to achieve in a democracy such as Britain. It is clear, in conclusion, that government needs to take a lead if there is to be meaningful reform. Britain's market liberal values, however, restrict the level of intervention which is feasible, and thereby hinder the prospect of a successful partnership between government and business. It would be helpful to expand on how such a partnership could, in theory, benefit the British economy, and the ways in which associations would be so vital under such arrangements. Firstly, however, we turn to the third hypothesis.

Hypothesis 3: Mismanagement of the Process

There are two main ways to assess Devlin's proposals. Firstly, we could evaluate the 'logic' of the proposals: that is, how good they are 'in theory' (in other words, if *as an ideal* they were implemented how effective would they be). Secondly, we could also take into account how realistic they are (after all, proposals could be good in theory but totally unachievable in practice). The latter seems preferable. Politics (and business for that matter) must deal with the world as it is: there is little point in 'utopian idealism' Nevertheless, there are different degrees of 'realism' or 'practicability'. The Commission could have 'played it safe' and advocated ideas already in place, or those likely to take place anyway, or limited reform (in a sense 'gestures') which whilst standing a high chance of implementation would have no lasting impact. The

Commission were right to reject this: they 'challenged' the status quo and took an optimistic view of what could be achieved. It is important, however, that optimism is allied to realism, and that any reform agenda is within the realms of practical politics. A successful report will be realistic but also influence the agenda. It should be judged according to the difference it makes (although identifying cause and effect in such matters involves several methodological problems). A report advocating the impossible would achieve nothing and be a failure. Similarly, one consisting of gestures to reform would be pointless. An effective report, therefore, will take the 'middle course' and outline a realistic but radical reform agenda, which by the force of its arguments has an impact on the 'climate of opinion' and leads either directly or indirectly to change.

It may seem unfair to suggest that the Commission started with their own pre-determined ideas, used the views of witnesses in support of these when the two coincided, and ignored the evidence of others when they diverged. Nevertheless, there is a grain of truth in this. The Report admits, for example, that there was little support for a CBI/ABCC 'fusion' (the CBI were against a full merger, as were all witnesses from the Chambers²) but decides not to take these views at 'face value'. The Commission also disregarded opposition from the CBI to the restriction of direct company membership. Ignoring such views would not in itself be a problem so long as the Commission could persuade such groups to change their mind through the force of their arguments: this, however, they failed to do.

With hindsight, Macdonald accepts that the Commission made two errors of judgment (*interview*, 22nd Sept 2004). Firstly, they should have taken greater note of the lack of interest in a CBB in the ABCC (interestingly, he does not refer to the CBI). He agrees that 'they got it wrong' on the proposed merger: they were 'too firm' and should have simply floated it 'as an idea' for the future. They were, therefore, over ambitious

² Although, as we have seen, one or two memoranda from chambers were more positive.

in this regard. Macdonald now believes that the recommendation should have been for the CBI and ABCC to look at ‘discreet areas’ where they could have worked together, say on particular legislation or in Brussels etc. In other words, to quote Macdonald, “you actually went on holiday together rather than got married”. Through this they could have learnt the good and bad points of each other (an idea Macdonald puts forward in *the Business of Representation*, 2001). Secondly, Macdonald believes that the Commission should have been “more stark about the implications for the underfunded association and how uninfluential with government the average association is”. They did not get across ‘the size of the dustbin’ into which most trade association submissions are put by government.

It is Macdonald’s belief that if the Commission had not made these two errors more of their recommendations would have been implemented. He thinks it unfair, however, to argue that the Inquiry concentrated on the CBI/ABCC merger at the expense of trade associations. He adds: “striking amount of what Devlin said about trade associations and how you can measure whether they are effectiveness or not had resonances in Heseltine’s time”. It would also have been pointless, he argues, for the Report to have advocated a larger role for government: they simply would not have been interested (Macdonald’s analysis here is backed up by the evidence given to the Commission). He notes, for example, that the Report was prepared whilst John Davies (with his attitude of ‘we don’t support lame ducks’) was at the DTI. He suggests that the mood of the times regarding business associations was similar to under New Labour today (see Chapter 6).

There is also contrast between Macdonald’s latter day *written* views and the arguments of the Commission. This is evident in *The Business of Representation*, in

particular the Chapter on restructuring (2001, pp. 12-15).³ He argues here that mergers for mergers sake will not be beneficial to the Trade Association movement. Many small Associations which lobby Government on highly specific issues find it straightforward to gain access to officials, put forward their concerns, and offer alternative solutions to problems. They do not share some of the concerns about the problems of convincing Government encountered by the larger, more broadly-based organisations. Such associations, in the absence of “natural bed-fellows”, may be better off independent. He also points out that some in the TA movement have a clear vision of a hierarchy of Associations, similar to that as in Germany. At the top of this hierarchy would be the CBI, whilst at the next level would be broadly-based sectoral Federations. Below that, the sub-sector specific associations - perhaps around 20 in each sector as opposed to the 50+ currently. Macdonald argues, however, that such an approach “may suggest a neatness which does not reflect the realities of business life” (2001, p. 12). Many associations prosper as they unite companies across a range of commercial sectors who share common interests despite a different industrial background. Such an approach is also impractical in terms of funding. Both the CBI and sector Associations have companies in direct membership. They are, therefore, to some extent in competition with each other for member’s subscriptions. MacDonald believes that “it would be unrealistic to hope that the UK could move towards the European model of a central body funded wholly by its Association membership”⁴

It is clear that the Commission did not take adequate account of the evidence they collected and failed to listen to the warning signals from the CBI. It should be

³ This Report is discussed in more detail below.

⁴ Nevertheless, MacDonald concedes that the model of sector-wide Federations with specialist Associations or Groups sharing facilities “provides an attractive long-term vision” (2001, p. 13). Tragically, however, little is being done to achieve this. MacDonald learnt of prospective initiatives from one sector which had petered out - one where the Council had shelved a report by a chief executive from the industry showing how companies could save more than £5m per year *and* have a more effective structure!

noted, however, that criticism of Devlin extended to a great deal of its proposals (as shown by the interviews conducted by Grant and Marsh and the response to the Report by business associations including the CBI), not simply the proposed merger. To argue, therefore, that the 'merger' was the Commission's main error probably misses the point. The Commission should also, for example, have been less dismissive of small associations and not advocated the restriction of 'direct company' membership of the CBI. It is difficult to see, however, what could have said that would have stood a greater chance of success. As Macdonald argues, the Commission should have been more upfront about the problems facing trade associations. This may have had some impact, but would probably not have resulted in substantive reform in the absence of an external stimulus. Of course, a Report could influence the climate of opinion and *in itself* be a stimulus. Given the inbuilt inertia, however, it would be unlikely to be sufficient. Another option would have been for Devlin to advocate a detailed 'blueprint' (as some in the CBI were hoping). Macdonald believes, however, that any detailed 'blueprint' would have 'gone in the dustbin' and in the British context he is probably right. There was a possible missed opportunity as far as public law status was concerned (discussed in some detail in Chapter 4). On the whole, however, it appears that association reform will most likely come about through a combination of economic factors (eg: a recession), the actions of large firms and government intervention, as opposed to any recommendations put forward in a Report. The second hypothesis provides the most helpful overall explanation, but this does not mean that hypothesis 1 and 3 should be entirely discounted.

Business Associations and 'Corporatism'

A more effective system of business representation would be helpful under corporatist arrangements. Many would argue, however, that corporatism was unsuccessful in the past and would prove so again if resurrected. Of course, it is questionable whether

Britain has ever had arrangements which could properly be termed 'corporatist' (Grant, 1993a, p. 20) (see Chapter 2 for a further discussion of this point). In a sense, therefore, Thatcher's belief that corporatism was a cause of Britain's poor economic performance ignores the fact that it was only carried out in Britain in what Lawson has termed a 'half-hearted' way (Lawson, 1992, p. 714). Corporatism worked well elsewhere (for example, in Austria, Sweden or Germany before unification).

This does not mean, of course, that it would have worked in the UK if properly developed or applied (Grant, 2002, p. 219). It would, however, have stood a greater chance of success if certain conditions had been in place. The British decentralised trade union movement along with an incoherent system of employer representation lacked sufficient authority over their members. They could not, therefore, share in any delegation or sharing of authority by government as they could not carry out their side of the bargain (Grant, 2002, p. 219). In other words, "the unions and the not particularly well-organized employers proved unable to act as governing institutions' engaged in a positive partnership relationship with government" (Grant, 2002, p. 17). There are two distinct variables to consider: the 'coherence' (or however it is specified) of the system of business associations, and its 'disciplining' capability. Arguably, the key feature of the Austrian or German 'handwerk' systems is its obligatory character of membership. This, rather than system design, could be said to provide its disciplinary capability. In practice, the two tend to co-vary but is useful to separate the two factors analytically. A coherent system can be seen as a *necessary* even if not a *sufficient* condition of allowing business to control their membership.

Corporatism, therefore, faced 'insuperable obstacles in Britain' (see Grant and Marsh, 1977). One was organisational, the weakness of the organised employers and unions with regards their ability to control their membership (Grant, 1993a, p. 30). The CBI voluntary price restraint initiative of 1971-2, in particular, was an ambitious

attempt at self-regulation by an interest organisation but would end in failure with the imposition of statutory controls (Grant and Marsh, 1977, pp. 192-7). Government and the associations themselves tried to do something about these organisations weaknesses, but they failed (Middlemas, 1986, pp. 346/7). The reasons for this are complex but they are linked to the other main obstacle to corporatism: “a set of attitudes among employers and organised labour which emphasised voluntarism, including a pluralist model of industrial relations.....this voluntarism had deep historical roots” (Grant, 1993a, pp. 30/31). Such voluntarism, therefore, helps to explain not only the failure of corporatism, but also why attempts to reform associations failed.

Prescriptive corporatists argue that a “close relationship between groups and government is not only the most effective way of governing a polity, but also one that contributes to social progress” (Grant, 2000a, p. 37). They can be contrasted with ‘liberals’ who argue that vested interests make it difficult to bring about necessary change in society. In other words, “by mounting an effective defence of the status quo, group activity leads to ossification in a society” (Grant, 2000, p. 37). Samuel Brittan (1975), for example, argued that liberal representative democracy was threatened by the generation of excessive expectations, and the disruptive effects of the pursuit of group self-interest. He was particularly concerned about the activities of trade unions, in that they differed from other organized groups due to their willingness to withdraw output from the market until paid more. In his later work, Brittan provided a more general critique of the role of pressure groups in democracy from the standpoint of an economic liberal. His perspective was based on the wish to defend the values of freedom and an open society. Reviewing his work from the mid 1970’s (Brittan, 1975), he reflected:

My themebecome the incompatible claims of rival interest groups which increase in influence when government takes on overambitious economic functions. Interest groups do not merely reduce the national income when they

become embedded in the political process. They embody rival claims which more than exhaust the national product and threaten the survival of liberal democracy itself (1987, pp. 197-8)

A few pages on, Brittan adds:

The dilemma is that many of the same groups – eg trade associations, unions, farmers, clubs or user’s councils – which appear in political theory as beneficent intermediate associations between the citizen and the state, and the very cement of democracy, appear in political economy as threats to economic performance and stability (Brittan, 1987, p. 198).

There is a sense, however, in which Brittan’s criticisms would not apply in a society conducive to corporatism with encompassing associations and social democratic values. Marquand would no doubt hold such a view: indeed, he argues that corporatism and encompassing associations go hand in hand. It is also clear that corporatist arrangements *by definition* need not involve policies that have failed in the past (eg: price and incomes policy, Keynesian economics and so on). A modern form of corporatism could be clearly distinct from the policy prescriptions of ‘old’ corporatism. There is a sense, however, in which corporatism has become a dirty word. It may be preferable, therefore, to talk of a ‘partnership’ between government and business.⁵ The term ‘partnership’ is often used by politicians in a weak sense, often when they simply mean consulting. A genuine partnership, however, involves more than this. To this author at least, it involves business helping to implement government policies.⁶ This is

⁵ See footnote above

⁶ The Devlin Report discusses the idea of a partnership between government and business. It cites Edward Heath: “One of the Government’s main purposes is to help industry achieve its aim. Industry in its turn can support the Government in its pursuit of national objectives” (See Devlin, 1972, p. 6). This seems a fair reflection of what a partnership would entail. It is difficult

consistent with corporatism and also with latter day notions of ‘private interest government’. It is in this context that we now look at how globalisation is impacting on associations and the related debate as to whether there has been a shift from government to governance.

Globalisation and Governance

Globalisation is a highly contested concept with little agreement as to what it entails. Globalisation is defined here as a continuing process which is reducing the significance of national boundaries as an impediment to the free movement of capital, goods, services and, to a lesser extent, labour (Grant, 2002, p. 42). It refers, therefore, to a process of ‘deterritorialisation’. It can also describe the fact that the boundaries of social relations are becoming less set by physical location, by time and distance.⁷ It can be interpreted, moreover, as “simply the latest – triumphalist – version of neo-liberalism” (Wincott, 2000, p. 174).

Neo-Liberalism is uncomfortable with the traditional role of trade associations as acting as intermediaries between their members and Government. Such an arrangement, it is argued, has the potential for market distorting behaviour. A critique of such an argument, however, is that trade associations are undertaking to make their members more competitive in the market place. They are not in the business of undermining markets but wish them to function more effectively and, thereby, deliver better results.⁸ Nevertheless, interest associations might not be expected to fare well as governance mechanisms in this neo-liberal world. As Coleman puts it:

to imagine such a scenario occurring without business having a role in implementing government policies.

⁷ Grant’s speech on ‘Globalisation and Regionalisation’ to the Trade Association Forum, March 2004.

⁸ Grant’s speech to the TAF, *ibid.*

At the sectoral level, neoliberals perceive them to be the servants of corrupt special interests that refuse to face the bracing world of international competition. At the macro level, they are branded disdainfully as ‘corporatist’, a term that hints at market interference and at collusion among the state, big capital, and big labour. The reactive approach to policy favoured by neoliberal governments has little room for associations (Coleman, 1997, p. 128).

Grant’s notion of a ‘company state’ underlines these implications. Governments have dismantled sector branches or sponsorship divisions in order to place more emphasis on direct company relationships. “Associations are dismissed as hide-bound purveyors of the lowest common denominator sectoral view” (Coleman, 1997, p. 128). Grant, moreover, has usefully summarised the main challenges of globalisation on trade associations.⁹ They face quite difficult problems as a result of changes in the structure of the economy. The effects on membership are as follows:

- Increasing concentration of ownership and the centralisation of production. This results in fewer firms who can belong to associations. As Grant puts it, “At the national level associations in mature industries are faced with the loss of members through closures or mergers” (Grant, 2000c, p. 11). Boleat develops these points, stating that the structure of a sector is relevant to a trade association in two respects (see 2000d, p. 2). Firstly, the more an association is dominated by a small number of members the more difficult it will be to manage.¹⁰ Secondly, any merger of members will reduce subscription income.

⁹ Grant’s speech to TAF, *ibid.*

¹⁰ Large members may feel that the association is simply serving smaller competitors at their expense, and may seek, therefore, to keep the association weak; smaller members may feel that the association is dominated by larger members and may seek to set up their own associations.

- Less domestic ownership of firms. The merged company may be controlled from outside Britain. External owners may be either less supportive of trade associations, or indifferent to them. The international headquarters may be unwilling to pay national trade association subscriptions. The local subsidiary may be prepared to do so, but there may no longer be a budget line it can use (or someone at a national level enabled to take a decision on membership). A slightly different view is taken by Boleat (200, p. 3). He argues that globalisation may or may not be bad news for trade associations. He writes: “A trade association would probably prefer the foreign acquisition of one of its large members to an acquisition by another domestic member. Foreign owned members are often very good members for trade associations. Few international companies seem to discourage membership of national trade associations. Most leave the matter to the discretion of the country head. Nevertheless, Boleat accepts that when a significant part of the national market is controlled by international companies, then trade association management may become more difficult. “The primary allegiance of foreign owned members is to their trade office. The policies pursued by a trade association to which a subsidiary belongs may be at variance with those of the association of the parent company” (Boleat, 2000, p. 3)
- Globalised firms may wish to drive down the cost of membership, eg, Wal-Mart and state level retail associations in the US. They may also be reluctant to allow staff members to serve on committees and fill officer posts. This could potentially have an impact on staff quality and make it more difficult both to hire and retain.¹¹

¹¹ Grant (2001, p. 341) states that the work of associations has always depended on expert company staff serving on committees. However, the stripping out of middle management in companies and increasing cost consciousness is resulting in fewer qualified individuals available for this work.

It is clear that globalization is having the effect of reducing the resources (both money and person power) available to many trade associations. This may 'weed out' some of the more ineffective associations, but markets are notoriously inefficient when it comes to exit issues. The impact on relations with Government, on the other hand, are as follows:

- Governments may have fewer policy instruments regarded as legitimate under conditions of globalisation (loss of 'internal sovereignty')
- The Government environment becomes more complex due to the development of multi-level governance which is viewed as a response to globalisation. There has been some speculation about the likely demise of interest associations in the transnational world. Others, however, disagree with this analysis. One of Coleman's central tenets (1997), for example, is that interest associations thrive in the complexity of the policy process brought about by multitiered regional governance systems. He writes that "many associations have survived as governance mechanisms in the present wave of globalisation and neoliberal hostility" (1997, p. 128). To deal with the complexity and variation, "the public policy process needs an ongoing technical orientation for effective policy solutions. This is true for national, regional and global governance" (Jacek, 2001, p. 19). We expand on notions of devolution below.
- Associational forms of governance are seen as less legitimate as they are seen to restrain the freedom of markets. To some extent, this point has been dealt with above. We can add, however, that in order for an economy (and individuals in particular) to prosper under globalisation there needs to be a

strong focus on education, training and skills, and in such areas trade associations could have a role (even if does not mean a return to their 'traditional' role as intermediaries).

- More technocratic forms of government and depoliticisation. This may be seen to favour associations, but their expertise may be seen as too narrow. Therefore, the performance of associations in processing information is crucial.

We now, therefore, seem to be observing a shift from government to 'governance'. Rhodes (1997), for example, argues that the so-called 'Westminster Model' of parliamentary sovereignty, strong cabinet government, majority party control of the executive, institutionalised opposition and so on, no longer provides an accurate or comprehensive account of how Britain is governed. We now have interdependence, a segmented executive, policy networks, governance and hollowing out: a state of affairs which Rhodes refers to as 'the differentiated polity' (Rhodes, 1997, p. 7). The term 'governance' itself denotes a change in the meaning of government, referring to a *new* process of governing (Rhodes, 1997, p. 15). Many different uses of the term exist: for example, it has been used to refer to the minimal state; corporate governance; and the new public management. Rhodes, however, uses the term to refer to *self-organizing, interorganizational networks* (Rhodes, 1997, p. 53). The shared characteristics of governance as follows (Rhodes, *ibid*):

1. Interdependence between organisations. Governance is broader in scope than government and covers non-state actors. The boundaries of the state have changed, making the boundaries between public, private and voluntary sectors 'shifting and opaque'
2. There are continuing interactions between network members, caused by the need to exchange resources and negotiate shared purposes

3. There are 'game-like interactions', rooted in trust and regulated by rules of the game negotiated and agreed by network participants
4. A considerable degree of autonomy from the state. Networks are not accountable to the state; instead, they are self-organising. The state does not occupy a sovereign position, but it can indirectly and imperfectly steer networks

Rhodes also associates various themes with governance (1997, p. 4). Firstly, government confronts self-steering interorganisational networks. Whilst the relationship is asymmetric, centralisation must co-exist with interdependence. Secondly, policy making is not linear but recursive as interventions create unintended consequences, implementation gaps and 'policy mess'. Thirdly, direct management (or control) of this 'organized social complexity' multiplies the unintended consequences. Indirect management is, therefore, the central challenge posed by governance. Fourthly, the British state is subject to both internal and external hollowing out. The phrase 'the hollowing out of the state' summarizes many of the changes which are taking place in British government. It refers to (Rhodes, 1997, p. 53):

1. Privatisation and limiting the scope and forms of public intervention
2. The loss of functions by both central and local government to alternative delivery systems (such as agencies)
3. The loss of functions by British government to the European Union

As Rhodes puts it, "The hollowing out of the state is another way of describing the problems of managing interorganizational networks in British government. Interdependence, the limits to central authority, agency autonomy and attenuated accountability are all features of governance" (1997, pp. 54/5). The concept of globalisation is useful for analysing the *external* hollowing out of the state. Globalisation is limiting the autonomy of the nation-state. As a result, the nation state's

capacities for governance have weakened, but “it remains a pivotal institution” (Hirst and Thompson, 1995, p. 409). It is essential to the process of “suturing power upwards to the international level and downwards to sub-national agencies” (ibid, p. 423). So, globalisation posits a world of complex interdependence characterized by governance without government (Rosenau, 1992, pp. 3-6).

The shift to governance, therefore, involves more indirect methods of exerting influence which should, in principle, benefit associations. It is helpful here to make a distinction between ‘direct’ and ‘indirect’ state action (see Grant, 1995, p. 8). Direct state intervention involves the use of ownership, management or direction by the state to achieve a given objective without an intermediary. Indirect intervention involves working through an intermediary (say, a quasi-governmental agency, an association or a specially created private body) to achieve government objectives. Governance, therefore, could open up opportunities for business associations. The question is whether they are capable of taking them, and here the evidence does not provide grounds for optimism. Training policy in the 1980’s, for example, provides a good example of public policy functions being transferred to private interest governments designed to being responsive to business. By the early 1990’s a system had emerged based on a mixture of greater ministerial control over the strategic direction of training policy alongside the devolution of responsibility to local bodies with a strong employer influence (Grant, 1993, p. 160). The statutory training boards were dissolved under the 1982 Industrial Training Act and replaced by non-statutory training organisations (NSTOs). These were employers’ associations, or special ‘trainings councils’ set up by employers associations, or bodies set up by groups of employers’ associations to coordinate their training activities.

In accordance with the traditions of British training associations, however, they were reluctant to exert influence over their member companies (Grant, 1993a, p. 160).

In other words, their behaviour was consistent with the self-image of associations as member benefit organisations rather than agents of public policy (Grant, 1993, p. 160). This lack of control suggests that private interest government fails in Britain for the same reasons as corporatism. Britain's liberal culture, as outlined by Marquand, once again shows its limitations. There had been similar attempts at indirect state intervention during the wartime period when the government often left the management of raw materials to special wartime associations or to existing business associations (see Grant, 1991). Even though it was wartime, business associations often had difficulty in controlling their members.

The NSTO's were not, therefore, deemed a great success as mechanisms for the implementation of training policy at the sectoral level. A study by the Institute of Manpower Studies found that out of 102 designated NSTO's, only fifty-six were considered 'effective' (*Financial Times*, 5 March 1988). Indeed, it is debatable whether associations really were discharging public policy functions, or whether they were simply providing government-funded selective benefits to their members (Grant, 1993, p. 160). It is also questionable, therefore, as to whether it was an example of 'partnership' in the strong sense as outlined above.

Partnership and Business Power

It is interesting to look at how attempts at partnership are undermined by the political *weakness* of business. Is, however, not business power a bad thing? *All things being equal*, a reformed system of business representation *could* increase the influence of business. As Grant and Marsh put it (1973, p. 13):

If industry spoke with one instead of several voices, this would reduce the likelihood of the kind of conflict between the different organisations which can

be divisive and tends to weaken the *influence* (my italics) of industry in general
(Grant and Marsh, 1973, p. 13)

Nevertheless, business representation reform is not inconsistent with government paying more attention to countervailing interests such as labour. As Grant has argued, “Government’s role is to ensure that business interests do not prevail over all other considerations”. (Grant, 1993a, p. 203) In other words, “The voice of business should always be heard, and always considered seriously, but not to the exclusion of alternative perspectives” (Grant, 1993a, p.45).

In any discussion of business power, we must also consider how the power is *used*. A central problem is whether business can make a constructive response to the problems facing Britain, not least poverty, unemployment and social exclusion. In other words, there needs to be a “strategic response by business as a whole to these problems, acting through its collective organisations in concert with government....Business in Britain is open to the charge of not matching its considerable economic power with a discharge of its social responsibilities through a constructive political partnership with government” (Grant, 1993a, p. 44).

There has been a broad consensus that British business has been *politically* weak, even at the national scale. Leys, for example, writes that, “for more than a century and a half British capital has been weakly represented both politically and bureaucratically” (1985, p. 14). This has been put down to the “heterogenous and several character of British Capital, a relatively de-socialised and politically detached commercial and industrial culture, and the historically underdeveloped institutional and political infrastructure for business engagement” (Valler et al, 2003, p. 4). Business, in turn, has generally not been able to articulate a clear or sustained agenda. Grant argues, moreover, that the political *weakness* of business makes it difficult for government to

enter into a partnership relationship with it (Grant, 1993a, p. 18). The absence of 'employer solidarity' is a continuing problem (Grant, 1993a, pp 19/20). Grant argues that the ineffective system of business representation is "both a cause and consequence of the political weakness of business" (Grant, 1993a, p. 104); and that "the political weakness of business is ... a rarely acknowledged indirect cause of relative economic decline" (Grant, 1993a, p. 20). He adds:

ineffective employer organisation is as much an obstacle to developing a concertative approach to economic policy problems as the deficient trade union organisation which is more usually blamed" (Grant, 1993a, p. 20).

Nevertheless, the notion of *political* weakness raises significant difficulties (Valler et al, 2003, p. 5) Firstly, the political strength of capital is highly sectorally differentiated. Whilst industrial capital has been characterized by "fundamental political shortcomings" (Leys, 1983, p. 110), finance and commercial interests have been critically influential over the past century in determining important aspects of macro-economic and (de) regulatory policy (Leys, 1983, pp. 105-8). Secondly, the growing multinationalization of business has increased its economic and political resources, reinforcing the hegemonic position of finance capital. Thirdly, capital has structural power due to its dominant and strategic position within capitalist society, its social and financial resources, and the ideological hegemony of capitalist social relations (Leys, 1983, pp. 121-4). This has been reinforced over the past 25 years by, what Valler et al describe, "as the weakening of the trade unions and the concomitant privileging of business interests, which have become the essential focus of, and legitimizing agent for, policy making (Valler et al, 2003, p. 5). Business political interests are, therefore, perhaps not as weak historically as has commonly been perceived, and have arguably become more powerful through the forces of globalization, and the emergence of Thatcherite and post-Thatcherite politics (Valler et al, 2003, p. 5).

Valler et al fail seem confused in parts about the distinction between *economic* and *political* power (although admittedly there is some overlap between the two). There is little doubt, however, that business politics in Britain has been *institutionally* weak and this is particularly evident at sub-national and regional level (Valler et al, 2003, p. 5).¹² This is registered in various ways (Valler et al, *ibid*). Firstly, business associations are fragmented and divided and the key representative bodies tend to be looser ‘umbrella’ organisations as opposed to ‘peak’ bodies with definite hierarchies of membership and policy making (Grant, 1993a, pp. 104-5). Secondly, business associations in Britain have lacked the financial, organisational, personnel and political resources deriving from public law status and obligatory membership arrangements present in other European countries (Grant, 1993a, p. 104). Thirdly, the CBI has been hamstrung by the breadth of its membership, an elaborate committee structure, and its tendency to lowest common denominator politics (Grant, 1993a, p. 111). It has also been unable to effectively mediate between the interests of finance and multi-national capital on the one hand and industrial capital on the other, and has therefore reproduced the political hegemony of the former to the detriment of the latter (Leys, 1983, p. 110). Fourthly, the leading business associations have exhibited a degree of inertia and a predominantly reactive character, as opposed to any clear capacity for strategic making and delivery (Grant, 1993a, p. 105). Hence, whilst as Gamble argues “the active influence of *organised* capital relative to that of organised labour” (2002, p. 303, emphasis added) has increased in recent years, there is little sense of any significant institutional expression of such organised influence. As Valler et al put it:

Rather finance and multi-national capital operate as the *de facto* arbiter of ‘the interest’ through relatively direct channels into Government, while individual

¹² Grant has offered the term ‘institutionally incoherent’ as a further alternative (private discussion).

and relatively autonomous business voices and groups surface over particular issues, and the established institutional apparatus for business interest representation adopts a more managerial role in the day-to-day conduct of business politics (Valler et al, 2003, p. 6).

The weakness of British business is, in a large part, a reflection of Britain's 'market liberal values' and it is unclear whether this could be overcome. The benefits of a social democratic culture and a close relationship between government and business are less certain given the economic problems faced in recent years by countries such as Germany and Japan (although, against this, neo-liberalism has also been found wanting in regards to matters such as education, training, research and development, and inequality). Even for critics of corporatism, however, it is clear that a reformed system of associations would yield benefits as far as dialogue and competitiveness is concerned: neither of which need involve corporatist or 'partnership' arrangements (as shown in Chapter 2, dialogue is important to *all* governments'). In this context, it is worth noting that Brittan had some words of praise for pressure groups. He argued (1989, pp. 3-4) that the shift to freer markets in Britain had been "associated with a blitz on intermediate sources of authority between the state and the individual not seen in other countries". He included employers' associations in his list of intermediaries, pointing out that such centralisation of state power was not needed to eliminate corporatism and is "incompatible with the dispersion of authority and influence, which is just as much part of a wider liberalism as free markets themselves". Grant, therefore, argues that there is a "broader political case for ensuring that the company state does not go too far, and that intermediary organisations representing a broad spectrum of business opinion are maintained" (Grant, 1993a, p. 203).

Latest developments

The Trade Association Forum (TAF)

The early benchmarking exercises (discussed in chapter 6) had been managed free of charge by the Association of British Insurers (ABI). It set up an informal trade association forum to conduct its second benchmarking exercise and this was an organisation capable of developing into something more formal (Boleat, 2000e, p. 5). Discussions, therefore, took place with the Confederation of British Industry (CBI) and with the financial support of the Government, the CBI formally established the *Trade Association Forum (TAF)* in the summer of 1997 (thereby taking over the work which the ABI had previously been doing). The Forum was re-launched on a self-funding basis in April 1999 (although the Government provides financial assistance for some specific projects). It receives support from the CBI and it is based in its offices at Centre Point in London. The Forum's website (www.taforum.org) is a useful source of information on trade associations and contains the most comprehensive directory of such organisations. It states:

Since its formation in 1997, the Trade Association Forum has been encouraging the development of best practice among UK trade associations and promoting the role of effective trade associations to government, industry and the wider public... The Forum provides its members with a range of services and activities designed to assist the development and day to day running of their organisations but is not a policy setting body¹³

¹³ www.taforum.org/showarticle.pl?id=51&n=100, accessed 13/06/04.

In 1999 the Forum ran another major benchmarking exercise, this time without Government financial assistance.¹⁴ The purpose of the study, as in 1997, was to contribute to the improved performance of trade associations through identifying elements of good practice which trade associations could adopt and by showing how they are being applied in practice (Benchmarking Study, 1999, p. 1). A feasibility study *Self-Assessment Benchmarking of Trade Associations* conducted for the Forum in 1998 had recommended that benchmarking studies be conducted on a regular basis to provide both an up-to-date picture of current trade association activity and as a basis for measuring the progress made by associations over time. A major part of the TAF's work, therefore, has been its regular benchmarking exercises, and a further exercise took place in 2001. This resulted in the publication of *Trade Association Performance - A Five Year View* (2002) which reported not only on the 2001 exercise but also looked at trends since the first study in 1997. The TAF has also undertaken a number of research projects, many with DTI support. *The Business of Representation* (2001) was particularly noteworthy given that it updated the concept of a Model Trade Association and its author, Alastair Macdonald, was the Secretary to the Devlin Commission. It was jointly sponsored by the TAF and the DTI¹⁵

The Labour Government

The last Conservative Government had a definite policy on trade associations. This included, as we have seen, the encouragement of mergers and the belief that trade associations needed a very high subscription income in order to survive (Boleat, 2000e,

¹⁴ *Trade Association Performance*, November 1999, Richard Fairclough, Trade Association Forum

¹⁵ Other publications have included: *Core Competencies for the Senior Managers of Trade Associations*, August 1998; *Models of Trade Association Co-operation*, March 2000; *Trade Association Consumer Codes of Practice*, March 2000, Richard Fairclough; *Implementing Consumer Codes of Practice*, March 2001; *Improving Trade Association Effectiveness at the European Level*, April 2002; *Value Added Measurement for Trade Associations: Guide to the Methodology*, August 2004

p. 6). In contrast, the Labour government has said and done little on associations. As Boleat puts it, “it has said nothing which might suggest the existence of a policy” (2000e, p. 6). The Labour government “initially had a novel approach to policy-making. It relied heavily on the advisors it has used in opposition and a number of trusted business people” (Boleat, 2003a, p. 22). Associations found themselves frozen out, not unlike many civil servants, and although the position has subsequently improved “associations still seem to be viewed with suspicion in large parts of the government” (Boleat, 2003a. P. 22).

Boleat argues, therefore, that the real change did not come with Heseltine but when Labour came to power and that the change was negative. Indeed, the situation was less favourable towards trade associations than under the Thatcher years when they had supposedly been ‘shut-out’ (*interview*, Sept 16th 2004). Boleat is particularly critical of the fact that the Government had not decided to use trade associations to improve the effectiveness of government. After all, he argues, much of the best value provided by trade associations is ensuring that proposed legislation and regulations achieve their objectives by, in effect, cross checking the work of officials. Therefore, “the stronger and more effective the trade associations are, the greater the help they can give in ensuring that legislation achieves its intended result” (Boleat, 2000e, p. 6). Boleat argues that Labour is concerned about delivery but this is about schools and hospitals and not policy. The quality of policy making is very poor. Much of what trade associations do is concerned with making policy work and if government is not interested in this then problems ensue (*Boleat interview*, 16th Sept 2004).

The Labour administration has displayed “a more neutral attitude towards TAs” (MacDonald, 2001, p. 7). There have been no significant pronouncements on trade associations on the lines of the Heseltine speeches or the *Model Trade Association*. Boleat, for example, has been pushing the Labour Government for a substantive speech

on TAs but to no avail (*interview*, 16th Sept 2004). Ministers hoped that companies and TAs would realise themselves that better representation from fewer associations would be in the interests of business. They have not, however, seen it as the role of Government to *stimulate reform*. MacDonald writes:

The Government has not suggested that there is a place in the sun for “lead associations”. Nor have they given public recognition to the Trade Association movement as a whole as a preferred channel of communication between Government and business, especially with smaller companies. If anything, Ministers and their special advisers have tended to see TAs as consensus seeking, slow-moving bodies, a good deal less exciting than the companies which they represent, and less likely to display “Can Do” vigour than the chief executives of two or three leading companies from a sector (MacDonald, 2001, p. 7)

There are some positive signs. The DTI website still contains ‘the Model’ document ¹⁶, and provides a contact for further information about their work with trade associations. ¹⁷ At sectoral level support continues to be given to particular projects to help trade associations become more effective including through merger (Boleat, 2000a, p. 64). Boleat argues, for example, that “indirectly government actions are forcing trade associations to co-operate and may precipitate mergers” (Boleat, 2000, p. 4). The Government has also continued (at least in some sense) to support the work of the Trade Association Forum. The DTI website, for example, states that:

(the) DTI works with the Trade Association Forum to help associations deliver best practice to members... The DTI encourages all trade associations to belong

¹⁶ www.dti.gov.uk/eam/mta/mtawelcome.html

¹⁷ Patrick.mulligan@dti.gsi.gov.uk

to the Forum and to continue to improve their own performance in an increasingly competitive environment ¹⁸

The Government has provided financial support for particular TAF projects – such as Boleat’s *Models of Trade Association Co-operation* (2000). The Government also co-sponsored Alastair MacDonald’s report, *The Business of Representation: The Modern Trade Association* (March 2001). In a forward to the Report, Patricia Hewitt, then Minister for Small Business and E-Commerce, stressed the vital role that trade associations had to play, and stated that “inadequately resourced trade associations that are not truly representative should not be surprised if they struggle to make an impact on Government”. Furthermore, she said that the “DTI was keen to promote and encourage discussion within trade associations and between trade associations and Government” (Macdonald, 2001, p. 2). Ministers, such as Alan Johnson, have also spoken to the TAF conferences, and stressed the importance that the government attaches to associations ¹⁹

Nevertheless, the Labour Government is unlikely to provide a significant external stimulus. Its overall approach, for the reasons outlined at the outset, is best described as *ad hoc*. Patricia Hewitt, for example, has argued ²⁰ that there is an advantage for government in trade associations giving a voice to people, but government has ‘other fish to fry’ if industry itself will not get its act together (*Macdonald interview*, 22nd Sept 2004). Macdonald has also heard Hewitt and Alan Johnson speak several times about how reform is industry’s responsibility (*interview*, 22nd Sept 2004). Grant, meanwhile, recalls a Deputy Secretary from the DTI arguing at the 2004 TAF Conference that trade associations were part of the problem, not the solution (*private conversation*). New Labour may ‘quietly’ indicate that it is in full

¹⁸ www.dti.gov.uk/support/taforum.htm, accessed 12/07/03.

¹⁹ www.dti.gov.uk/ministers/archived/johnson150301.html, accessed 07/06/04.

²⁰ Admittedly not in an official speech.

support of any measures which improve the effectiveness of associations but there is little sign that trade associations are on ministers' agenda.

Labour and Devolution

Political devolution in Scotland, Wales and Northern Ireland alongside the establishment of Regional Development Agencies (RDAs) and Regional Chambers in the nine English regions has been an aspect of the Labour Government's economic policy since 1997. This creates a challenge for trade associations. As Grant put it to the 2004 TAF annual conference:

Trade associations may have regional officers, but they do not have much regional structure. So how can they relate to this without investing in a regional structure? I'm quite positive about trade associations ability to cope with the changing environment, but changing to meet demands of sub-national government is more of a challenge than globalisation itself. Trade associations tend to adjust to Government structures. The problem is that it becomes a resource consideration. If a small association finds it difficult to make adjustments to focus resources, what happens at the regional level.

Nick Raynsford, Minister for Local and Regional government, took a slightly different view, telling conference that he accepted "that for some trade associations it will be better to deal with one body than many. But to have a forceful voice speaking up for members in the regions is better in the long term than a single contact in the centre". Ian Dalzell, meanwhile, Chief Executive of Conference sponsors Associa, argued that the challenge for many trade associations was finding enough time and resources to fulfil their central role of representation, whilst, at the same time, effectively managing a demanding membership and undertaking commercial activities to generate revenue.

He said: “As a result of devolution, we believe that trade associations will increasingly need to outsource their non-core activities, such as publishing and subscriptions management, in order to enable them to effectively represent their members’ interest to a wider range of political forums at local, regional, national and European levels”.

Boleat argues that “at the very least devolution imposes extra costs in that associations must monitor what is happening in Cardiff, Edinburgh and Belfast and, where necessary, engage with the administrations in those areas” (Boleat, 2003, p. 97). Effective trade associations undertake the necessary groundwork by establishing a reputation and developing contacts and having a good intelligence system in order to handle specific issues effectively. Associations, however, are not in a position to do this in Scotland, Wales and Northern Ireland because they cannot afford to do so. Such thinking is echoed by Macdonald (2001, p. 8). Associations, he writes, have had to cope with the fruits of devolution, as well as develop links with the Regional Development Agencies in England. This is “expensive in its own right; and some institutions are expecting the business community, no matter the width of interest covered, to express a single view on issues....Associations are finding themselves compressed into coalition more than they might wish” (Macdonald, 2001, p. 8).

European Associations

Domestic political arrangements may have decreasing relevance with more decisions affecting British business being taken in Brussels. Business has recognised as much with its efforts to improve its representational capacity at the EU level. Arguably, Europe will be a big stimulus for reform, as associations realise that they need adequate resources to deal with it (*Macdonald Interview*, 22nd Sept 2004). As Macdonald puts it:

The increasing importance of European Directives and Standards means that for some Associations Brussels is more central to their companies' business than any other city. In some regulated industries, perhaps four-fifths of applicable legislation comes from Brussels, not Westminster. The response of UK associations to this trend has been valiant. With Brussels in effect willing to take representation only from European-wide Federations, UK Associations have worked hard to create such organisations – and, more important, driving them forward, by holding key chair or secretary positions (Macdonald, 2001, p. 8)

Trade Associations are, however, facing increased difficulties at the European level. Direct contacts between companies and the Commission have flourished, and in a number of key industries, federations of federations have been replaced (or complemented) by direct membership associations organising the leading firms. There is the increasing tendency of big firms to get together at the European level outside of the formal trade association structure (Boleat, 2000e, p. 7). As Grant puts it: "There is something of a crisis of the traditional trade association in Brussels" (Grant, 2000c, p. 11). Nauwelaerts (1999, p. 22), meanwhile, has observed that "globalisation and changing member expectations are hitting European trade associations hard". One government relations director interviewed by Wyn Grant in Brussels in 1999 commented, "The classic business associations (that) have been in Brussels for thirty years now face a challenge just as traditional political parties face a challenge from the organisations of civil society" (Grant, 2000c, p. 11). European associations have not done well in Benchmarking exercises conducted in Britain. Problems include people being 'parked' on European trade association committees either because they can speak a few languages or there is a wish to keep them away from the national trade association. Governance issues are also magnified as national governments have different approaches to handling matters at the European level (Boleat, 2000e, p. 7).

Many European associations are not properly equipped for the changing way in which business is done at the European level (Boleat, 2000e, p. 7).

The Internet and E-Mail

Boleat argues that the development of the internet is “by far the most important external factor influencing the way membership organisations work” (Boleat, 2000c, p. 8).²¹

Such technology poses both threats and opportunities. As Boleat puts it (2000c, p. 9):

On the one hand it should facilitate recruitment, allow a better service to be offered at lower cost and, in some sectors, be a valuable source of new business opportunities.

On the other hand, although the entrenched position of membership organisations is a powerful competitive advantage, on its own it is not sufficient. As companies in particular embrace e-business they will expect their service providers to do likewise. Membership organisations cannot afford to get behind in the game; if they do, unlike in the past, they are likely to be severely damaged (Boleat, 2000c, p. 9). Boleat argues, therefore, that a trade association now needs to be run on the internet if it is to be effective. Those who do not have websites will miss out very badly (*interview*, 16th Sept 2004). As member companies do become internet proficient they will have access to information (say on export opportunities, domestic markets, providers of training, legal issues and so on) from sources other than the Association. The role of the Association as a central provider of advice and guidance may, therefore, be put at risk. The key point, Boleat writes (2000d, p. 6), is that the internet opens the way, for the first time, for trade associations to face a competitive threat from completely new organisations,

²¹ Member organisations vary from small sports clubs to large trades unions, professional bodies and trade associations. They have numerous features which distinguish them from commercial organisations.

“unencumbered not only by the past but also by all the problems which are inherent in membership based organisations. In the American trade association world all the talk is of the threat from vertical Internet portals” (Boleat, 2000d, p. 6).

Could the internet lead to a fundamental change in the way trade association’s work and are organised? Grant refers to a possible model for the future being ‘virtual trade associations’ where staff work electronically from their own homes and considerably reduce the premises’ cost (Grant, 2001, p. 342). Boleat (2000d, p. 9), meanwhile, argues that the traditional trade association is paper driven and employs a relatively large number of staff sitting in an office undertaking administrative and clerical tasks. Technology has enabled routine work to be mechanised and there has been a trend (may be not as fast as ideal) for associations to employ fewer but better quality staff. Such staff do not need to be office based, indeed they can work from anywhere, accessing the association’s computer system from a laptop or PC in their home. All the papers they will ever need will be available anywhere in the world! Newly established associations will, therefore, increasingly look like ‘virtual associations’. Rather than permanent staff, a variety of consultants will be used on particular projects; administrative functions will be outsourced; serviced offices will be used as opposed to associations trying to (badly) manage their own buildings; and permanent staff will be smaller in number but experts in what they do and will concentrate on the representative and member services roles.

Future Research

One idea for future research is touched on in Chapter 3: namely, why is change easier to drive through in trade unions than in trade associations? It would be helpful to consider this in more detail and look at what this tells us about business associations. A comparative study bringing in other countries could also be helpful in explaining the

lack of progress in Britain (whilst we have referred to other nations, anything more would have been beyond the scope of this thesis). There is also potential under the freedom of information act to look at government sources on the Heseltine era (given time constraints this did not prove possible here). This would allow a more in-depth study of the Heseltine era to be undertaken. It could also be helpful to look at some of the recent developments in more detail. To what extent, for example, has the TAF proved effective? Has it successfully promoted best practice among trade associations? To what extent have its benchmarking exercises proved worthwhile? Studies could also be undertaken on the impact of globalisation and governance on associations, and on the opportunities offered by the internet and 'virtual associations'.

It is clear that recent developments pose both challenges and opportunities. Britain, however, remains a long way short of having an effective system of business representation. This thesis has revealed much about the internal workings of the Devlin Commission. It has showed the extent to which Lord Devlin led the Inquiry, the significance of the roles undertaken by both Fraser and Macdonald, the contrasting views taken by members of the Commission (Stock, in particular, took a different view on the proposed CBI/ABCC merger), and the way in which the Commission carried out their work (Macdonald, for example, referring to 'three distinct phases'). More importantly, the thesis has helped explain why there has been a lack of progress on association reform. It has revealed, for example, how Macdonald now accepts that the Commission made fundamental errors. Before undertaking this research, moreover, the image portrayed was of business and government operating within a pluralist mindset. The extent to which this is so, however, and the way in which it has hindered reform is perhaps *even more* significant than previously assumed. Government was not only reluctant to become involved but anxious *not even to create an impression* that it had a role to play (the exception perhaps being the discovery that John Davies was open-minded on public law status). Whilst some progress was made under the Heseltine era,

we have learnt that he attached more importance to chambers than trade associations. Despite some improvements, therefore, government has often not taken the necessary lead. We can conclude in the words of Grant, “The representation of business is too important to be left to business itself. This is not corporatism; it is well-informed common sense” (Grant, 1993, p. 124).

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