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# British Collective Bargaining: The Challenges of the 1970's

Robert F. Banks

*In the 1960's Britain's traditional industry-wide collective bargaining system was modified significantly by the growth of local bargaining, the introduction of an incomes policy and government recommendations for the general reform of industrial relations. Other important innovations were long term agreements, status agreements and productivity bargaining. The Conservative Government's new Industrial Relations Act will have a significant impact on the industrial relations system, particularly with regard to union recognition, internal unions affairs and the protection of the rights of individual employees. However, the Act's restrictions on the right to strike are likely to have only a minimal impact on established bargaining relationships. As Great Britain enters the 1970's the industrial relations system's main challenge is for unions and management to voluntarily respond to the problems which continue to be posed by the uncoordinated growth of plant bargaining.*

The reform of industrial relations was one of the major issues in Great Britain's June, 1970, general election in which the Conservative Party defeated the incumbent Labour Government. Its prominence reflects substantial public concern about the inflationary consequences of collective bargaining and Britain's high incidence of unofficial strikes. More specifically, the issue of industrial relations reform has been kept in the public eye in recent years; i.e., since 1968 several important policy documents on industrial rela-

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tions have been published in Great Britain<sup>1</sup>. The most substantial of them was the report of the Royal Commission on Trade Unions and Employers' Associations which was the product of a three-year detailed review of British industrial relations. The Labour and Conservative Governments' White Papers are equally important as they specified the policies of Britain's two major political parties for the reform of industrial relations. In particular, the Conservative's new industrial relations proposals resulted in extensive disagreement and controversy in the House of Commons and in Great Britain generally.

In varying degrees, all these documents share as a central theme the view that the government should become more actively, directly and deeply involved in the industrial relations system. This view, of course, sharply contrasts with Britain's traditional public policy of « collective laissez-faire » in industrial relations — with the Government acting as a neutral third party « holding the ring between management and unions ».

Although we might assess the 1960's and 1970's as a key period for public policy toward industrial relations and in the development of collective bargaining in the United Kingdom, it is a grave mistake to evaluate these policy proposals independent of an historical context. To a significant degree they are a result of at least a decade's extensive debate which produced a substantial indictment of British industrial relations. Moreover, in response to such criticism and independent of these « grand design » proposals for industrial relations reform, since 1960 a number of significant changes have occurred in the British collective bargaining system as a result of specific initiatives by management, unions and particularly by the government. In keeping with British traditions these innovations have been reformist and evolutionary ; and, their objective — the modernization of British industrial relations — is yet to be achieved. Nevertheless, as Britain enters the 1970's, these developments have had a significant and lasting impact on the collective bargaining system.

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<sup>1</sup> *The Royal Commission on Trade Unions and Employers' Associations*, 1965-68, H.M.S.O., London, Cmnd. 3623, June 1968 ; *The Conservative Political Centre, Fair Deal at Work: The Conservative Approach to Modern Industrial Relations*, London, April 1968 ; *The Wilson Administration's In Place of Strife: A Policy for Industrial Relations*, Cmnd. 3888, H.M.S.O., London, January 1969 ; and the Heath Administration's *Industrial Relations Bill: Consultative Document*, Department of Employment and Productivity, October 1970.

## The Traditional Collective Bargaining System

Before examining these developments, a brief review of Britain's traditional wage determination system supplies a background against which the scope and implications of these changes can be evaluated.

In the postwar period the main features of Britain's traditional collective bargaining system can be outlined as follows<sup>2</sup>.

1. The most prominent characteristic of Britain's system of wage determination remains voluntary industrywide bargaining with most major industries covered by national agreements negotiated between an employers' association and one or more unions. Collective bargaining is more complete and formally structured in public than in private employment, with national agreements covering the Civil Service, health service employees, teachers, other local government employees, and the workers employed by the main nationalized industries. Some 500 national bargaining structures cover between 75 and 80 percent of Britain's working population.
2. Approximately four million additional employees are covered by statutory wage-fixing machinery under the Agricultural Wages Act, 1948, and the Wages Council Act, 1959. Currently 56 tripartite wages councils exist in a variety of industries and are empowered to issue legally binding awards on all firms within the scope of their jurisdictions. These awards are considered to be only minimum wages and conditions and are not intended to discourage other negotiations that provide better terms and conditions, nor to substitute for voluntary collective bargaining.
3. The diversity of British collective bargaining procedures reflects the complex structure of organizations which negotiate labor agreements. In 1969, 508 labor unions in Britain had a combined membership of roughly ten million. This total is approximately

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<sup>2</sup> In addition to the sources cited above, key references describing Britain's traditional collective bargaining system are: B.C. Roberts (Ed.), *Industrial Relations: Contemporary Problems and Perspectives*, Methuen, London, 1968 (revised edition); *Written Evidence of the Ministry of Labour, Royal Commission on Trade Unions and Employers' Associations*, H.M.S.O., London, 1965; and Allan FLANDERS, *Industrial Relations: What is Wrong with the System*, Faber and Faber, London, 1965.

40 percent of the labor force ; and 149 of these unions, with a membership of more than nine million, are affiliated to the Trades Union Congress. The British labor movement has craft, industrial and general unions, but more than 70 percent of all members belong to nineteen unions with memberships of 100,000 or more and the four largest are general unions sharing roughly one-third of all unionists.

4. Some 14,000 employer associations also exist in Britain ; but a few, such as the Engineering Employers' Federation and the National Federation of Building Trades Employers, are dominant in collective bargaining. In 1965, the Confederation of British Industry was established as the main national employers' association, but this new central body still has less influence over its affiliates' collective bargaining policies than the TUC has over its member organizations.
5. British collective agreements differ substantively from American practice, as they are typically open-ended and quite narrow in scope. In extreme cases they cover only basic wages, hours of work and vacations ; fringe benefits, too, are much less extensive than in the U.S.A.
6. In many industries issues such as safety, health, welfare, and other issues affecting industrial efficiency are not covered by collective agreements, but rather are discussed through joint consultation. These procedures, which vary in effectiveness, are based on the view that one can differentiate between collective bargaining, which implies the possibility of conflict between parties, and joint consultation, which is concerned with issues in the common interest of both sides.
7. Finally, the British system of industrial relations gives priority both to collective bargaining over all other methods of pay determination and to voluntary over compulsory procedural rules for the regulation of its conduct. Before 1971 employers were not legally required to recognize or negotiate with trade unions and there was no code of « unfair labor practices » that could be legally enforced against either party. Further, collective agreements were not binding in the courts ; so that no legal action could be taken against either party solely on the grounds that a breach of collective agreement occurred.

## The Growth of Local Bargaining

By the end of the 1960's, these features of Britain's traditional collective bargaining system were still operational ; but since 1945, the bargaining environment has changed dramatically and the economic and institutional rationale for industry wide bargaining has been seriously challenged. As a result, particularly in the 1960's, the structure of collective bargaining was decentralized in response to local issues and worker aspirations not dealt with in national agreements. In most of the important sectors of British industry, including the metal trades, automobile manufacturing, coal mining, the docks and shipbuilding, national agreements were extensively supplemented by local bargains negotiated by plant management and shop stewards.

The economic significance of local bargaining is difficult to measure precisely because such agreements are usually negotiated informally without participation by the national unions and employers' associations. However, one useful — if indirect — measure is the phenomenon of wage drift ; the measure of the extent to which hourly earnings have increased more rapidly than wage rates. British data for the postwar period confirms the importance of wage drift ensuing from locally negotiated payments of various kinds even after those portions of the earnings gap which were demand determined or a result of substantial amounts of overtime work are excluded<sup>3</sup>.

Equally important has been the phenomenon of « condition drift » which is the result of local negotiations on working conditions, including work patterns, the extent and distribution of overtime work and the utilization of manpower. The growth of plant bargaining has also constrained managerial rights in the enterprise ; lay-offs, discharges, worker discipline and similar issues have been increasingly subjected to joint rules and procedures informally agreed between plant management and shop stewards. Finally, in many firms, joint consultative machinery has been transformed into plant negotiating bodies, while in others these consultative bodies simply have been by-passed.

The general developments responsible for this dramatic growth of plant bargaining since 1945 are numerous and varied, but several general

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<sup>3</sup> The Report of the Royal Commission, *op. cit.*, pp. 14-15 features a discussion of « wage drift » and the « earnings gap ».

factors can be cited. Tight labor markets have enhanced union bargaining power and the general inflationary climate has reduced employer resistance to local wage demands. The distinctive features of certain mass production technologies, commonly found in the automobile and engineering industries, also have provided the basis for the strategic use of bargaining power by particular workgroups, as has the extent to which particular firms have decentralized decision-making procedures and operate in localized and unique product and labor markets<sup>4</sup>.

Another factor has been management's acceptance of plant negotiations to supply agreements reached quickly with shop stewards who are involved directly with its application in the plant without formal restrictions on managerial rights. Finally, a close relationship exists between the growth of local bargaining and particular types of wage structures employed. In those industries in which the percentage of wage earners on payment-by-results is highest there are extensive opportunities for an increase in workplace earnings and a wider scope for local negotiations<sup>5</sup>.

Thus, plant bargaining has become a *de facto* feature of the collective bargaining system. Indeed, it has achieved improvements in workers' living standards and an extension of workplace democracy. Moreover, many managers now recognize the importance of plant labor relations and the need to win workers' support for change rather than using traditional authoritarian methods. However, against these positive features have to be set a number of prominent disadvantages. Because plant bargaining has emerged in an unplanned and haphazard way, both employers and unions at the local level have modified industry-wide agreements by uncoordinated pay settlements, which are often both inflationary and distort plant pay structures. Moreover, in some instances plant relationships have deteriorated to a situation of more-or-less permanent industrial warfare.

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<sup>4</sup> For a more detailed review of these factors see B.C. ROBERTS and John GENNARD, « Trends in Plant and Company Bargaining », *The Scottish Journal of Political Economy*, Vol. 17, No. 2, June 1970, pp. 147-166 and H.A. TURNER, « Collective Bargaining and the Eclipse of Incomes Policy : Retrospect, Prospect and Possibilities », *The British Journal of Industrial Relations*, Vol. VIII, No. 2, July 1970, pp. 203-206.

<sup>5</sup> A recent survey by the National Board for Prices and Incomes revealed that strong support remains in management circles for incentive systems of wage payment. See N.B.P.I., *Report No. 65 : Payment by Results Schemes*, H.M.S.O., May 1968.

During the last decade support has grown for a coordinated decentralized bargaining system. In particular, this development, as discussed below, has been fostered by the Royal Commission's report and the emphasis on productivity bargaining in the Labour Government's incomes policy. In addition, both sides of British industry have tried to respond to the implications of this new bargaining structure. The trade union movement as a whole has improved its financial position and the larger unions have taken steps to increase the number of their full-time officials, to train their workplace representatives more adequately and to adapt their structures to the challenge of local bargaining. Moreover, since 1962 the TUC has been more vigorous in pursuing an amalgamation policy. For example, since 1958 the number of trade unions has fallen from 675 to 508 and by early in 1970 more than 40 unions had informed the TUC of their involvement in amalgamation discussions. In particular, Britain's three giant general workers' unions especially have been involved in these merger activities and the new, more militant leadership of the Amalgamated Union of Engineering Workers and the Transport and General Workers' Union formally has supported local bargaining activities.

On management's side, particularly in those large firms emerging as a result of the industrial mergers of recent years, the desirability of company bargaining and the need for appropriate management policies to adapt work practices and payment systems to modern industrial conditions have been recognized. Moreover, the status of the personnel management function has been improved and industrial relations problems generally have received greater attention. Finally, since 1960 dramatic improvements have been made in the extent and quality of management education which will improve the competence of British management in the future <sup>6</sup>.

However, further fundamental reforms are clearly necessary before an effective plant bargaining system can emerge. In spite of developments in recent years, both British unions and employers have been equally slow to recognize the growing irrelevance of industry-wide bargaining. The unions' financial position remains weak, their officials overworked, and their research and educational facilities underdeveloped. Moreover, the structure of the labor movement remains complex, irrational and largely unsuited to a coordinated system of plant bargaining.

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<sup>6</sup> According to Mr. John Marsh, Director-General of the British Institute of Management, since 1962, apart from the establishment of two new business schools, 25 universities have introduced more than 40 different Master's degrees in management and business studies. Quoted in *The Financial Times*, 22 April 1968.



A major problem is that unions' representative in the plant — the shop steward — usually has no clearly defined role in the national negotiating process, in his relations with plant management or in the union hierarchy. As a local bargainer, the shop steward has no commitment to a national agreement, which may be marginally relevant to his plant. His primary loyalty is to his local constituents, and his major role is to improve their pay and working conditions. Moreover, although some managements informally accord the steward the status of a full-time union official, many firms closely restrict the shop steward's functions or do not grant any kind of recognition. In addition, managerial acceptance depends largely on the degree of unionization in the plant and the stewards' personal qualities. Only rarely are the stewards' role and functions the subject of a formal agreement between the national unions and management or the employers' association concerned. Usually shop stewards do not have the full status of a union official and most union rules do not clearly spell out their duties or responsibilities<sup>7</sup>.

However, even assuming an effective restructuring of the steward's role, the unions would still be confronted with major organizational difficulties at the workplace. Plant bargaining has created common organizational and negotiating needs, which because of the existence of multi-unionism in many firms, have resulted in the establishment of joint committees on which normally all the shop stewards in a plant are represented. Commonly, a senior steward or « convenor » leads the workers' side in negotiations affecting all the plant's employees. Although these bodies perform important negotiating functions, they are not responsible officially to the union structure in the workplace or at higher levels. This organizational problem has been compounded further by the establishment in the automobile and engineering industries of shop steward combine committees made up of plant representatives within prominent multi-unit firms. These bodies often provide a logical platform for the coordination of the bargaining demands of workers in a multi-union multi-plant situation, but again, they exist independently of the formal structure of the union movement. Because of this independence and a significant degree of Communist influence these committees are not formally recognized by the unions or management, but in practice their functional importance is acknowledged as both parties have turned a blind eye to their activities.

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<sup>7</sup> The basic reference here is W.E.J. MCCARTHY in *The Role of Shop Stewards in British Industrial Relations*, Royal Commission on Trade Unions and Employers' Associations, Research Paper No. 1, H.M.S.O., London, 1966.

British management has an equal responsibility for the unsatisfactory state of industrial relations at the enterprise level. Conflict has been generated by management's apparent willingness to reward aggressive behavior. Often, management has rejected claims supported by full-time union officials, only to grant concessions to shop stewards in the face of threatened industrial action. In addition, slow-moving dispute settlement procedures also have encouraged unofficial strikes which often resolve issues more quickly than the formal procedures.

These specific criticisms are a general reflection of the extent to which British management has neglected the human factor in industry. While top management is deeply involved in solving human relations problems arising out of decisions taken on technical or economic grounds, little effort has been made to acquire the skills necessary for their effective long-range solution. Until recently the main selection criterion for management posts has been the need for expertise in financial and production activities. Personnel management has a low status in the British management hierarchy, meaning that labor problems are often dealt with on an *ad hoc* basis after fundamental production or technical decisions have been made. Only in the last few years has British management slowly recognized that the challenge of workplace bargaining must be met by a dramatic improvement in the status of the personnel function, and the deep involvement of executives at all levels in the problems of industrial relations management<sup>8</sup>.

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<sup>8</sup> This section has explicitly focused on the development of informal local bargaining by blue collar workers. However, in the last decade there has been a dramatic growth in the unionization of white collar workers, especially foremen, technicians and office workers and the spread of collective agreements, largely, although not exclusively, covering individual plants and companies. Such growth has mainly occurred in the private sector – white collar unionism and collective bargaining has a long history in the public sector – and a leader in these efforts is The Association of Scientific, Technical and Managerial Staffs, which as a result of its merger and organizational activities is one of Britain's fastest growing unions. Although the density of white collar unionism remains low – the most recent comprehensive estimate is for 1964, showing only one-third of white collar employees organized, with the vast majority in the public sector – substantial growth has occurred in engineering, automobile production and general manufacturing as well as in banking and insurance. The introduction of governmentally sponsored union recognition procedures is likely to extend unionization and collective bargaining to white collar workers. See G.S. BAIN, «Trade Union Growth and Recognition», Royal Commission on Trade Unions and Employers' Associations, Research Paper No. 6, H.M.S.O., London, 1967 and *The Growth of White Collar Unionism*, Oxford University Press, New York, 1970.

## The Changing Role of Government

The most significant development in British labor relations in recent decades is government intervention in the economy and the collective bargaining system. This phenomenon represents a substantial modification of the traditional British view that the industrial relations system functions most effectively through a general guarantee of autonomy to both sides of industry with minimum involvement by the State or the law.

The government's role in managing the economy has been extensive. Heavy reliance has been placed on monetary and fiscal policies, together with a panoply of related measures to stimulate higher rates of economic growth and to combat inflation and the balance of payments problem. Regional economic policies also were developed to attract industry to depressed areas and to encourage the transfer of manpower to areas of high labor demand. Moreover, since the early 1960's the government and both sides of industry have been committed to a program of indicative planning. A tripartite National Economic Development Council was established in 1962 as a forum for national dialogue on economic planning and it approved the Labour Government's national economic plan which was prepared in 1965 by the newly established Ministry of Economic Affairs. Although Britain's dire economic circumstances since 1966 forced an abandonment of the plan's targets, the government has continued to support a modest economic planning program.

In the industrial relations arena the government has intervened in several important areas. First, in the last twenty years all British governments have developed incomes policies to achieve a closer link between money income increases and the rise in national productivity, thus mitigating the impact of rising wage costs on the general price level and the balance of payments. The impact of these policies is examined in more detail in a later section of this article.

In addition, in the face of persistent national labor shortages, regional labor surpluses, and abundant evidence that manpower is being underutilized in British industry, the government is now committed to an active labor market policy. This has included such innovations as an improved system of labor exchanges, mobility allowances for workers in depressed regions, increases in the level of unemployment compensation, an expansion in the number and enrollment capacity of government training centers, and the development of forecasts of the future supply, demand and quality of manpower undertaken by the various government departments.

In particular, since 1963, new legislation was introduced relating to three key aspects of the employment relationship – dismissal notification, industrial training and severance pay – largely because of the failure of unions and management to voluntarily develop effective joint policies in these areas. The Contracts of Employment Act of 1963 stipulates minimum periods of notice for both employers and employees to terminate contracts of unemployment. The Industrial Training Act of 1964 reorganized the system of industrial training by bringing it under the jurisdiction of a tripartite training board for each major industry whose operations are financed by levies on covered employers. The Redundancy Payments Act of 1965 provides for financial compensation to most workers, who are dismissed because their services are no longer required. Payments under the Act vary according to age, length of service and the size of past average weekly pay<sup>9</sup>.

### **Intervention in Collective Bargaining**

The government has also intervened directly into the collective bargaining process with such moves being justified by the public's growing dissatisfaction with the level and extent of industrial conflict in British industry. True, some industrial relations experts, i.e., Professor Turner of Cambridge University, have argued that Britain's strike record is over-emphasized at the expense of concern over cost inflation and industrial inefficiency. Nevertheless, a review of Britain's postwar strike record does substantiate such public concern :<sup>10</sup>

1. While the annual number of mandays lost through strikes has rarely risen above 3 million, the annual frequency of strikes has risen since 1945.
2. Until the late 1950's Britain's strike record was dominated by coal mining strikes, but their sharp decline since then has been

<sup>9</sup> For a lucid survey of the British Government's manpower programs, see ILO, *Labour and Automation, Bulletin No. 4, Manpower Adjustment Programs: I. France, Federal Republic of Germany, United Kingdom*, Geneva, 1967, pp. 133-207, and Organization for Economic Cooperation and Development, *Manpower Policy in the United Kingdom*. O.E.C.D., Paris, 1970.

<sup>10</sup> A detailed review of the trends, causes and consequences of strike activity in postwar Britain may be found in: J.F.B. Goodman, « Strikes in the United Kingdom: Recent Statistics and Trends », *The International Labour Review*, Vol. 95, No. 5, May 1967, pp. 465-81; H.A. TURNER, *Is Britain Really Strike-Prone?* Department of Applied Economics Occasional Paper No. 20, Cambridge University Press, 1969; and W.E.J. MCCARTHY, « The Nature of Britain's Strike Problem », *The British Journal of Industrial Relations*, Vol. VIII, No. 2, July 1970, pp. 224-236.

- offset by a rising incidence of industrial conflict in key industrial sectors, including automobile manufacturing, engineering, construction, port employment and shipbuilding.
3. The typical localized short duration strike has also been supplemented by a variety of other forms of industrial action including go-slows, work-to-rules and overtime bans in recent years.
  4. Large-scale official national strikes in the postwar period have been used mainly for demonstrative purposes rather than to impose extensive losses on employers in industrywide bargaining.
  5. As a result of the growing capital intensity and inter-dependence of the British economy, leaders of both major parties argue that the economic impact of strikes has grown significantly.
  6. Approximately 95 percent of all strikes are not officially called by the unions, and the great majority are also unconstitutional in that they occur before the existing procedures for settling disputes have been exhausted.
  7. Through the 1950's strikes over piecework, wage structure issues, variations in working conditions and rules, supervision and discipline dominated in Britain. Since 1960, the number of disputes over claims for wage increases has increased sharply, reflecting both the decline in coal mining strikes and the growing institutionalization of informal plant bargaining.

While the majority of disputes are settled peacefully through local negotiations, these trends in industrial conflict demonstrate the lack of effective plant level procedures in British industry. Unofficial strikes are used to achieve quick solutions to workplace problems because of the slowness of dispute settlement procedures. Moreover, in a period of full employment the costs of such limited industrial action are minimal to the strikers.

As already observed, normally there are no arrangements in British industry for third-party arbitration of plant level disputes, since both unions and management would rather settle local issues themselves with the maximum degree of informality and flexibility<sup>11</sup>. The major third-

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<sup>11</sup> However, there are extensive procedures available for the arbitration of industry-wide industrial disputes. British law and many collective agreements provide for voluntary arbitration at the request of both parties by a permanent tribunal – the Industrial Court – or by *ad hoc* arbitration bodies selected by the parties or appointed by the Ministry of Labour. In addition, separate standing arbitration bodies exist in the Civil Service, the Railways and coal mining.

party role in the conciliation of industrial disputes in Britain is played by the Ministry of Employment. Under the Conciliation and Industrial Courts Acts, of 1896 and 1919, respectively, the Ministry may provide conciliation services, although normally at the request of both parties. The Ministry is also empowered to establish courts of inquiry or committees of investigation for particular disputes or more far ranging studies of general industrial relations problems. Most investigations have been confined to particular disputes and in a large proportion of cases, these inquiries have provided a basis for settlement. However, the Ministry's dispute settlement role reflects the traditional British view that it should be secondary to voluntary collective bargaining, and, therefore, be employed infrequently, at the request of both parties and as a last resort.

Since the early 1960's the adequacy of this approach has been questioned and the Ministry has intervened more in collective bargaining. One new approach is a more extensive use of inquiries to make detailed examinations of industrial relations in particular industries. For example, since 1964 the recommendations of such inquiries in passenger transport, construction, shipping and shipbuilding have encouraged significant changes in industrial relations practices and procedures. Another recent innovation is the Ministry's establishment of a Manpower and Productivity Service to provide free consultations to management concerning improved manpower utilization and industrial efficiency. There has been a substantial response to this new service, probably because the Ministry's regional industrial relations officers simply provided their existing clients with consultative assistance in their new capacity as « Manpower Advisors. » During its brief existence, the Service has demonstrated its usefulness, although its long run effectiveness will require a more precise definition of its functions and its closer coordination with other Ministry functions <sup>12</sup>.

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<sup>12</sup> In addition, in 1964 the Ministry proposed the establishment of *ad hoc* tripartite fact-finding teams to inquire into selected unofficial strikes. However, both the Trades Union Congress and the British Employers' Confederation (which merged into the Confederation of British Industry in 1965) rejected this proposal and decided to establish their own bipartite investigatory scheme for unofficial strikes. The results of these investigations demonstrate the perils of voluntarism. After great difficulty in jointly selecting which disputes should be investigated, nine case studies of strikes were completed by the middle of 1966. Finally, a general report based on these studies was published in May 1968, which concluded that disputes could be avoided if the managements concerned had developed positive industrial relations policies, including adequate consultation with employees, and if workers strictly adhered to the provisions of disputes procedures. See *Investigation of Strikes: Report by the CBI and TUC*, London, 1968.

In particular, in two notorious industrial relations trouble spots – the motor industry and the docks – government intervention has been extensive and on a continuing basis. In the postwar period automobile manufacturing has become Britain's most strike-prone industry, with a labor relations history clearly demonstrating all the defects of the British industrial relations system<sup>13</sup>. Consequently, since the early 1960's the government has urged unions and management to make improvements in the industry's industrial relations procedures. In 1965, the government established a tripartite Motor Industry Joint Labour Council under the chairmanship of Jack Scamp, the personnel director of the General Electric Company. The Council's function was to keep industrial relations in the industry under review and to inquire into disputes which resulted in unofficial strikes.

As the Council's resources were modest, its investigatory role into individual strikes was confined to limited fire-brigade activities. However, its reports proposed improvements in the industry's disputes procedure and the establishment of new industry-wide negotiation machinery providing a framework for separate company and plant level bargaining. In the autumn of 1968, responding to an increased incidence of auto strikes the Government intervened again, which resulted in the establishment of a new bipartite Joint Council for the Motor Industry which would focus on wage structure reform and the improvement of industrial relations procedures.

Although the motor industry's strike incidence has risen drastically in recent years, government intervention has been a catalyst for limited reform. The Engineering Employers' Federation is reviewing the implications of separate motor industry bargaining procedures ; the Rootes Group, a Chrysler affiliate, and British Leyland, Britain's largest motor firm, have disaffiliated from the EEF, thus joining Ford and Vauxhall as masters of their own labor relations policies ; and the industry's major producers are negotiating replacement of complicated piecework schemes by measured day work systems. Closely related to these developments in the motor industry are the negotiations since 1969 for a reformed disputes settlement procedure in general engineering. Here the employer and union federations have agreed to establish a new national industrial relations council to

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<sup>13</sup> For an excellent review of motor industry labor relations see H.A. TURNER, Garfield CLACK and Geoffrey ROBERTS, *Labour Relations in the Motor Industry*, George Allen and Unwin Ltd., London, 1967.

negotiate minimum wages and general conditions of employment for all manual employees. However, these negotiations were very difficult, particularly as the result of the unions' insistence that management not be allowed to implement any disputed changes in wages or working conditions prior to a complete exhaustion of the procedure.

Government intervention in dock labor relations has been even more extensive. In 1965 a committee of inquiry recommended immediate negotiations to end the system of casual labor and restrictive work practices in the docks, as well as new national negotiating machinery, including independent public members, to ensure rapid progress toward the achievement of these goals. A tripartite National Modernization Committee was established immediately with a government appointed chairman and subsequently reached agreement on a dock labor decasualization scheme in return for an eventual eradication of restrictive work practices<sup>14</sup>.

Since the late 1960's further progress has been slow, with the negotiations on new wage structures and work rules reform protracted and difficult<sup>15</sup>. In spite of these modest reforms, less progress clearly would have been achieved without public intervention. All negotiations were supported by substantial Government initiatives; for example, the implementation of labor decasualization; improvements in fringe benefits and amenities in the industry, including nationally negotiated severance pay and retirement benefits for displaced and older dockers; and a commitment to partially nationalize the docks. Government intervention has been a vital component in the quest for new approaches to the industry's labor problems.

Such governmental intervention in the docks, the motor industry and elsewhere certainly was not the product of a comprehensive, general strategy of industrial relations reform and, so far, these initiatives have achieved only limited success. Yet, this new trend represents a significant modifi-

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<sup>14</sup> *The Final Report of the Committee of Inquiry Under the Rt. Hon. Lord Devlin into Certain Matters Concerning the Port Transport Industry*, H.M.S.O., London, 1965, Cmnd. 2734. Also see, «Ending of Casual System of Working in the Docks», *The Ministry of Labour Gazette*, September 1967, pp. 709-711.

<sup>15</sup> A general view of current difficulties is presented in David Wilson, «Weak Negotiating Procedures Hamper Docks Modernization», *The Financial Times*, (London), July 2, 1970.



ation of a traditional principle of British industrial relations – that of unquestioned public approval of unfettered private decision-making in the collective bargaining process.

### **The Royal Commission's Report and Programs for Industrial Relations Reform**

Since 1969 both the Labour and Conservative Parties have issued « grand design » proposals for industrial relations reform, involving greater state intervention in the system<sup>16</sup>. However, a review of the comprehensive report of the Royal Commission on Trade Unions and Employers' Associations is a necessary prerequisite to their adequate analysis. As its fundamental premise the Commission argued that the reform of industrial relations could be achieved through the voluntary efforts of unions and management. Thus, a major dual role for public policy was to extend voluntary collective bargaining and to achieve a reform of existing collective bargaining procedures through detailed investigations of industrial relations practices by an independent review body. Changing the law to modify the behavior of unions or management was viewed only as an *ad hoc* method of reform to be used sparingly in limited instances and as a last resort if unions and management did not remedy the defects of the system themselves.

More specifically, the report recommends a formal decentralization of the collective bargaining system through the establishment of comprehensive factory agreements covering all procedural and substantive issues now covered by informal workplace negotiations. Such reform was to be encouraged by a new Industrial Relations Act requiring all companies to register collective labor agreements with the Department of Employment, with its major objective to determine which of them met established criteria for comprehensive factory agreements.

An independent Commission on Industrial Relations (CIR) also was proposed to investigate references to it by the Secretary of State for Employment concerning such problems as union recognition, the inadequacies

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<sup>16</sup> A convenient summary and review of these proposals, including the recommendations of the Royal Commission Report, are found in T.G. Whittingham and A. W. Gottschalk, « Proposals for Change in the British System of Industrial Relations – An Evaluation, » *The Journal of Industrial Relations*, Vol. 12, No. 1, March 1970, pp. 52-71.

of factory agreements, and wage structure and pay adjustment problems. The role of the CIR was seen not as an arbitration tribunal, but as a review body to bring about the long run reform of collective bargaining. No civil penalties were proposed to support the CIR's findings, for its main sanction was to be public opinion mobilized by its recommendations with the general reform of collective bargaining encouraged by a dissemination of information about effective and sensible industrial relations practices.

The Commission recommended assistance to unions to organize and negotiate effectively. Employers should not be allowed by law to prevent workers from joining unions, wages council procedures should encourage voluntary collective bargaining and the CIR should be empowered to examine cases concerning the non-recognition of unions. Again, no direct penalties were proposed against parties rejecting CIR recommendations. However, where union recognition was formally denied or where recognition was granted, but effective collective bargaining was impossible, the CIR might recommend that the union be allowed to refer the dispute to unilateral arbitration, but the Commission saw this approach being used selectively and only to a limited degree.

The report also included recommendations concerning the rights of individuals both as union members and employees. Regarding internal union democracy, key proposals were the amendment and clarification of internal union rules and procedures under the supervision of a new Chief Registrar of Trade Unions and Employers' Associations and the establishment of an independent appeals tribunal to which union members could make complaints against union malpractices. On the issue of employee rights, the Commission proposed legislation guaranteeing workers the right of appeal against unfair dismissals to industrial tribunals, with all currently existing tribunals being expanded into full-fledged labor courts with jurisdiction over virtually « all disputes arising between employees and employer from their contracts of employment or from any statutory claims they may have against each other in their capacity as employees and employers. »

The major question before the Royal Commission was whether collective agreements should be transformed into legally binding contracts. Both the CBI and the Engineering Employers' Federation supported this proposal in one form or another, a view widely shared in British management circles, although resolutely opposed by the labor movement. However, the Commission's majority report rejected both legally binding con-

tracts and procedure agreements or sanctions against individual strikers. The Commission argued that changes in the law on their own would do little to eradicate the root cause of Britain's strike problem, which was the inadequacy of current arrangements for workshop bargaining, and especially the absence of speedy, clearly-defined and effective disputes procedures. These deficiencies could only be removed by a reform of collective bargaining through the establishment of comprehensive factory agreements. Only when voluntary reform efforts proved futile should any consideration be given to the introduction of legally binding agreements.

In view of the adversary character of its membership, many Commission recommendations were compromises and its analysis had significant gaps. Nevertheless, the report presents a strong case for a basically voluntary industrial relations system, together with public support for decentralized bargaining procedures. Moreover, its proposals for union recognition, the regulation of internal union affairs and the protection of employees' rights in industry were constructive innovations. However, many critics questioned whether the Commission's approach, which emphasized the importance of public scrutiny and improvement by example, was really equal to the urgent need for an extensive and immediate reform of British labor relations <sup>17</sup>.

Early in 1969 the Labour Administration issued its « grand design » proposals in a White Paper, *In Place of Strife*, which accepted the Royal Commission's basic philosophy and almost all of its recommendations. The most controversial aspect of the White Paper were new recommendations concerning limitations on the right to strike. *In Place of Strife* recommended that the Minister of Employment be granted discretionary powers supported by financial penalties to order a back-to-work in serious unofficial strikes for a 28-day « Conciliation Pause » during which additional Government peace initiatives could take place. Moreover, the Minister also could require that unions conduct national strike ballots prior to authorizing stoppages which posed a serious threat to the economy or the public interest. Finally, in cases of inter-union recognition disputes if voluntary methods failed, the Minister could support with an

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<sup>17</sup> For a survey of criticisms of the report see R.F. BANKS, « The Reform of British Industrial Relations : The Donovan Report and the Labour Government's Policy Proposals, » *Relations Industrielles*, Volume 24, No. 2, April 1969, pp. 333-378 ; and the symposium on the Royal Commission Report in *The British Journal of Industrial Relations*, Vol. VI, No. 3, November 1968.

Order, backed up by financial penalties for non-compliance, recommendations by the CIR that only a particular union or unions be recognized<sup>18</sup>.

These proposals provoked violent opposition from the Labor Movement and within the Labour Party itself. In particular, the TUC declared itself opposed to « Conciliation Pauses, » strike ballots and the ultimate use of compulsory arbitration in inter-union recognition disputes. Subsequently, the Government postponed the new legislation to await the decision of a special TUC delegate conference on an alternative anti-strike program. This proposed an extension of TUC general council powers to make binding awards in inter-union jurisdiction disputes and to intervene into strikes in breach of procedure to issue recommendations for their settlement. In the event of unjustifiable strikes the general council could require the unions concerned to order a back-to-work and would expect them to undertake appropriate action, including fines, suspensions or expulsions, if such an order was rejected by their members. In addition, member unions who rejected these recommendations would be ultimately liable to suspension or expulsion from the TUC<sup>19</sup>. This program was overwhelmingly approved by the conference delegates who also passed a motion in opposition by the Government's proposals. By the end of June, 1969, Prime Minister Wilson acknowledged defeat. The Government's anti-strike proposals were withdrawn, in clear recognition of the absence of any support in the Cabinet or the Party for a fight to the finish with the unions on this issue. Thus, the Government had to settle for a « solemn undertaking » by the TUC that its new procedures would be applied vigorously<sup>20</sup>.

The Government went ahead with an industrial relations Bill, but, as agreed, it largely included proposals favorable only to the TUC, which resulted in substantial Conservative and CBI criticism. The Bill's most important provisions were the permanent establishment of the Commission on Industrial Relations – it had been set up earlier as a Royal Commission, the registration of agreements, union recognition procedures, the legal right of all employees to join unions and the protection of workers against unfair dismissals. However, with the announcement of a General Election for

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<sup>18</sup> For a detailed review and analysis of Labour's White Paper see R.F. BANKS, *op. cit.*, pp. 366-78.

<sup>19</sup> See The Trades Union Congress, *Programme for Action*, London, June 1969, pp. 11-13.

<sup>20</sup> An « inside » view of the struggle is ably provided in Peter Jenkins', *The Battle of Downing Street*, Charles Knight and Co., Ltd., London, 1970.

June, 1970 and the subsequent dissolution of Parliament, the Bill did not become law.

The Conservative victory in June, 1970 substantially changed the character of the debate over industrial relations reform. The new Government designated a comprehensive industrial relations Act as a major legislative priority and relentlessly pressed on to gain Common's approval of the Bill in March, 1971. This provoked bitter opposition from both the TUC and the Labour Party as the Tory's Bill, together with substantial price inflation, became a major cause of widespread industrial unrest during 1970. The unions largely boycotted consultations with the Government on the Bill ; several official demonstrations and widely supported unofficial strikes were called in opposition to the program ; and a March 1971 special conference recommended that affiliated unions should be advised neither to register under the Act nor to sign legally binding collective agreements and to boycott the Act's new industrial relations machinery. The Labour Opposition's response was equally unyielding, culminating in a record 22 hours sitting in the House of Commons, involving 63 separate division votes, on the Bill's third reading.

The new Industrial Relations Bill, with few exceptions, is based on the Conservative's earlier policy document, *Fair Deal at Work*, published in April, 1968<sup>21</sup>. The Bill strongly supports the developpement of a voluntary industrial relations system, which, while promoting the freedom and security of individual workers, encourages collective bargaining between responsible unions, firms and employers' associations. Moreover, it assumes that a comprehensive legal framework has a positive role to play in the improvement of industrial relations. The Government also promised a new code of industrial relations practice encouraging mature and responsible collective bargaining, which while not legally enforceable, could

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<sup>21</sup> This review is based on the Bill approved by the House of Commons. Additional amendments are being added in the House of Lords and the Bill is not expected to become law until July, 1971. The main differences were that the new proposals 1) set up a new National Industrial Relations Court rather than expanding the scope of the existing Industrial Court ; 2) established the Commission on Industrial Relations on a permanent basis with expanded powers whereas *Fair Deal at Work* specified no role for such a body ; 3) did not provide for legislative remedies to deal with restrictive work practices, while the earlier document planned a significant role in this regard for the National Board for Prices and Incomes, which was abolished in the Autumn of 1970 ; and 4) did not remove the legal immunity of unions or strikers involved in demarcation disputes.

be used as a judgmental framework by the agencies established under the proposed Act.

The Bill specifies five statutory agencies to administer the new industrial relations law : a National Industrial Relations Court (NIRC), the Industrial Tribunals, the Commission on Industrial Relations (CIR), a Registrar of Trade Unions and Employers' Associations and an Arbitration Board (the current Industrial Court with a new title). Of these, the only wholly new body is the NIRC which emerges as the High Court of an extensive judicial system for industrial relations matters. The NIRC is to be composed of both legal and lay members sitting in several divisions, with its jurisdiction, as well as that of the currently operative industrial tribunals – which are expanded into full-fledged labor courts by the Bill – including contract breaches connected with industrial disputes, breaches of legally enforceable collective agreements, the breaking of contracts between unions or between unions and their members, infringements of all rights guaranteed by the legislation and the perpetration of some 29 specified « unfair industrial actions, » 15 relating to unions and 14 to employers. The NIRC and the industrial tribunals guarantee full legal representation for the affected parties within a framework of an informal procedure, which provides opportunities for the conciliation of disputes. Both bodies may award compensation to injured parties by fines of various amounts against unions, employees and individuals with the NIRC enabled to enforce its own decisions as well as those of the industrial tribunals.

A major concern of the Bill is the rights of workers both as union members and employees. Workers are enabled to choose whether or not to join a union, with activities of unions or employers which deny these rights being designated as « unfair industrial actions. <sup>22</sup> » All employees, with limited exceptions, are also guaranteed the right of appeal to industrial tribunals concerning all dismissals from work. If an unfair dismissal is proved, an industrial tribunal may order a worker reinstated or to be paid compensation, although extensive informal conciliation of such disputes is provided prior to formal adjudication. Finally, the Bill extends the period of notice guaranteed to long service employees, reduces the minimum qualifying period for such benefits and widens the range of in-

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<sup>22</sup> In an amendment to the Bill the Conservatives tilted the balance in favor of union membership by allowing employers « to encourage a worker to join a union. »

formation to be supplied to employees about their contracts of employment by amendments to the Contracts of Employment Act of 1963.

In particular, the legislation outlaws « pre-entry closed shops where union membership is a prerequisite to employment, except for limited cases in which the NIRC finds them necessary for effective industrial relations. However, « agency shop » agreements are allowed, subject to approval by a majority of workers covered by the agreement in a ballot, requested either by 20 percent of such employees or the employer concerned. A « yes » vote requires an employer to implement the « agency shop, » while a « no » vote prevents the union from requesting such an agreement for a two year period. Under agency shop agreements employers would require all relevant workers to join the union or pay a regular contribution in lieu of membership or be dismissed. Individuals, who because of conscientious grounds, objected to paying union dues could make an appropriate contribution to charity. However, these non-members would not have a right to all the benefits of union membership, and would not have a contract of membership with the union.

Another major feature of the Bill places unions and employers associations on the same basis in law as other organizations. However, such status would be granted only to those bodies which registered with the new Registrar of Trade Unions and Employers' Associations. Such registration would supply continued legal immunity from acts done in furtherance or contemplation of an industrial dispute, but not for other tortious acts, including « unfair industrial actions. » The Bill specifies that organizations approved for registration must provide rules guaranteeing reasonable admission standards and membership rights and supply an extensive annual report of their accounts to the Registrar.

Individuals with complaints against a trade union may appeal to the Registrar, who normally attempts to informally resolve such cases. Unresolved complaints would be heard by an industrial tribunal or the NIRC, which could award compensation to the injured party. Moreover, any union which persistently breached its members' rights could be deregistered. Finally, the Bill limits the term « trade union, » access to procedures for union recognition or the establishment of « agency shops » and the legal immunity in labor disputes only to those bodies which are duly registered. Moreover, unregistered combinations of workers would be liable for engaging in the Bill's specified « unfair industrial actions » as well as an additional « unfair industrial action » – the urging or persuasion of workers to break their contracts of employment during a labor dispute.

In a major way, the Bill supports voluntary collective bargaining. The Labour Administration's Commission on Industrial Relations (CIR) is established on a permanent basis with one of its major functions being assistance to unions and employees in their voluntary reform of industrial relations through reports on individual cases referred to it by the Minister of Employment<sup>23</sup>. Firms are also required to notify the content of procedure agreements to the Department of Employment and under the proposed new Code of Industrial Relations, employers must provide unions with information on their activities to assist in the effective conduct of negotiations.

Equally important, procedures for union recognition are provided, enabling a registered trade union, an employer, employers' association or the Government to make a claim to the NIRC concerning recognition disputes. Such claims, if a voluntary settlement proved impossible, would be referred for investigation by the CIR, which could designate, where relevant, an appropriate bargaining unit or units, one bargaining agent for each unit and any conditions which should be satisfied before recognition can be granted to the bargaining agent. Subsequent to the completion of the CIR's report, the NIRC, on the application of the employer or the bargaining agent, could enforce its recommendations, subject to a majority endorsing vote by the employees concerned. Following such enforcement of the CIR report « unfair industrial actions » would be for an employer to fail to negotiate seriously, or to deal with any other union except the specified bargaining agent and for unions or workers to take or threaten industrial action to disrupt the statutory bargaining structure. If an employer failed to negotiate seriously, the NIRC could give the union a unilateral right to refer a claim for improved wages and working conditions to the Arbitration Board whose award would be binding on the employer concerned.

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<sup>23</sup> Strangely enough, at the same time as the Labour established CIR was given a major role in the Conservative's industrial relations program, its future seems in doubt. Mr. George Woodcock, the ex-general secretary of the TUC and chairman of the CIR resigned after the new law's introduction, joining the two other trade union members who had previously left the Commission. Mr. Woodcock, who had opposed the new law as irrelevant to voluntary industrial relations reform, primarily based his resignation on the TUC's decision to boycott CIR proceedings. These resignations, in addition to Mr. Allan Flanders' retirement as a result of ill-health, now leaves the CIR with only one permanent member. For a good statement of the CIR's cautious, case-by-case approach to industrial relations reform see, The Commission on Industrial Relations, *First Annual Report*, Cmnd. 4417, Her Majesty's Stationery Office, 1970, especially pp. 1-5.



Two of the Bill's most controversial measures concern the legal status of collective agreements and procedures for national emergency disputes. The Conservative Government strongly supports the desirability of removing the ambiguity of the legal status of collective agreements, to express their terms in clear language and to encourage the parties to honor them as binding in law. Accordingly, all agreements entered in after the introduction of the Act are presumed to be legally binding and enforceable unless the parties explicitly designate to the contrary. Moreover, in cases in which such agreements did not exist or where defective and poor industrial relations existed, the Secretary of Employment, at the request of the union or employer concerned, could ask the NIRC for an investigation by the CIR to determine whether existing or improved procedural agreements should be made legally binding. In the six months following the CIR's report, the parties concerned would have the right to request the NIRC that its recommendation be made legally binding for the firm or plant concerned <sup>24</sup>.

Finally, the Minister of Employment may apply to the NIRC for a legally enforceable restraining Order against a strike likely to result in a national emergency or in severe hardships to prevent industrial action for a 60 day « cooling off » period. In addition, in these cases, or in those in which the Minister had reasonable doubt about the degree of support for a strike among union members, a secret strike ballot also could be ordered by the NIRC to be conducted by the union or the CIR with its results being made public. Although following the ballot and the expiration of the restraining Order unions would be free to strike, substantial efforts would be made to achieve a settlement during the « cooling off » period.

Stripping away the rhetoric used in the dispute over the Conservative's program, the new law clearly has very much in common with the recommendations of the Donovan Commission and the 1966-70 Labour Government. Its provisions extend voluntary collective bargaining by requiring that employers recognize and negotiate with unions and through its support of « agency shop » agreements ; it explicitly encourages the emergence of a system of plant and company bargaining ; it safeguards employees against unfair dismissals ; and with the establishment of the

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<sup>24</sup> The Confederation of British Industry had requested the possible introduction of legally binding agreements across a whole industry under this procedure. However, the Conservatives refused this request, wishing to enable an individual employer to apply for legally binding agreements in relevant cases.

new Registrar of Trade Unions and Employers' Associations, it seeks to prevent membership rights from being subverted by their organizations.

Its fundamental difference is the emphasis on the law as a change agent for reform, especially through the introduction of legally binding agreement with the agreement of both parties, together with the possible unilateral establishment of such arrangements in cases in which industrial relations had deteriorated seriously. While this feature is important, its difference from the previous Labour Administration's proposals is largely one of degree. Indeed, Harold Wilson's opposition to the new legislation was considered suspect by many trade union leaders as a result of his earlier support for « conciliation pauses » and « strike ballots. » Moreover, the debate within the TUC over opposition to the Act revealed sharp differences among its affiliates, especially the white collar unions, who had much to gain from the legislation, and those unions, particularly the well entrenched engineers and transport workers, who were most threatened by the law.

Already dire predictions have been made about the likely consequences of the new legislation, particularly because of its liberal borrowing from American labor relations law<sup>25</sup>. Victor Feather, the TUC's general secretary, has denounced it as « unnecessary, irrelevant and unworkable » and other critics have conjured up spectres either of a widespread disregard for the law or of extensive litigation of industrial relations issues. Surely it is too early to make any such judgments, but major factors influencing the immediate impact of the Act are a quick healing of the partisan break provoked by its introduction and more importantly, the TUC's willingness to reconsider its boycott of the new law. In any event, as the Tories themselves have argued, any fundamental reform of British industrial relations must come from the voluntary efforts of unions and management. The Conservatives hope the new Act ultimately will encourage effective responses to this challenge, while at the same time bringing the legal framework of British industrial relations closer in line with the industrial relations systems in the advanced industrial countries of Western Europe and North America.

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<sup>25</sup> Recently J.W. Garbarino has pointed to the possibility of a growing convergence of British and American labor relations practices, while cautioning against too high expectations regarding the Conservative's extensive importation of American procedures. See J.W. GARBARINO, « British and American Labor Market Trends : A Case of Convergence ? » *The Scottish Journal of Political Economy*, Vol. XVII, No. 2, June, 1970, pp. 319-336.

## Innovations in Collective Bargaining

In the 1960's there also have been important innovations in collective bargaining by both sides of industry, including the development of long-term agreements, the emergence of productivity bargaining and the negotiation of agreements which narrow or remove the traditional differences in pay and status between manual and non-manual workers.

Since 1960 there has been a shift away from the usual open-ended collective agreement to those providing for annual improvements in pay and working conditions over a stipulated period of time. By 1967, several key industries had negotiated two or three-year agreements, and in all, more than eight million workers or approximately one-third of the total labor force was covered by long-term pacts<sup>26</sup>.

A variety of factors led both sides of industry to negotiate long term agreements. Their appeal to management, apart from general economic and strategic considerations, was a result of union pressure for the 40-hour week which led many employers to view these agreements as a means of absorbing the costs of shorter hours on a phased basis. In addition, the three year agreements first negotiated in 1965 in the important engineering and shipbuilding industries also allowed management to raise the wages of lower-paid workers modestly without immediate pressure to restore traditional pay differentials. For the unions, long-term agreements provided periodic wage increases for their members without requiring annual negotiations and shorter hours and improved fringe benefits could be achieved more easily on a phased basis. Moreover, certain national trade union officials argued that they would have more time to service their members if they were freed from the burden of annual negotiations.

Whether long-term agreements will become a permanent feature of the British collective bargaining system probably will be determined by union attitudes ; for generally they have more immediate advantages to management, although some employers criticized the effects of continued local bargaining during the life of these pacts. Currently, such union attitudes are unpredictable. Many union memberships have criticized long-term agreements, in view of the fact that the wage improvements obtained have lagged behind inflationary trends. Moreover, union oppo-

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<sup>26</sup> See R.F. BANKS, « Long Term Agreements and Package Deals, » *Industrial Welfare*, October, 1965, pp. 244-49.

sition was encouraged by the Government's wage freeze in 1966, which deferred wage improvements provided under many long-term agreements and subsequently allowed only a narrow scope for pay increases under its stringent incomes policy.

In the late 1960's some industries did negotiate or renew long-term agreements ; but other key groups, such as the postmen, non-manual civil servants and the railwaymen, shifted back to one-year agreements and, in the important building industry, in which two successive long-term agreements had been agreed, a one-year pact was introduced in 1968, although a two-year agreement was negotiated again in 1969. Nevertheless, the long-term agreement cannot yet be dismissed as a temporary aberration of the British collective bargaining scene. Late in 1968 the key engineering and shipbuilding industries renewed their three-year agreements and some observers argue that the trend toward formal local agreements may encourage fixed-term, although not necessarily phased, settlements<sup>27</sup>. Thus, while undoubtedly union interest in long-term agreements has cooled, it may blossom again for they still command support in important sections of British industry.

New agreements which narrow or remove pay and/or status distinctions between manual and white collar workers are another innovation. In Britain, as in most industrial countries, such distinctions have existed between « staff » and manual workers, but since 1945, they have been sharply reduced as a result of bargaining gains made by the manual workers or technicians, although they usually have to work longer hours to achieve this financially superior position. In recent years some British managements have argued that such distinctions between staff and manual employees are both socially unjustifiable and economically inappropriate under modern technology<sup>28</sup>.

In the 1960's several agreements introduced staff status for manual workers and other firms are considering similar innovations, although the traditional distinctions between manual and staff employees is by no means close to being eliminated generally in British industry. For example, the Electricity Council placed its industrial employees on annual salaries worker's unions. Today many manual employees earn more than office and introduced a sick pay scheme similar to the one which covered their

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<sup>27</sup> ROBERTS and GENNARD, *op. cit.*, at pp. 160-161 argue that this might be so.

<sup>28</sup> The Industrial Society, *Status and Benefits in Industry*, London, 1966, p. 30.

salaried staff. Under a similar agreement negotiated with the Imperial Chemicals Industries, Ltd., manual workers were granted annual salaries, improved sickness pay and greater employment security. Other agreements covering the ESSO Petroleum Company and the nationalized airlines have also reduced the white collar/manual workers' status differential. Finally, the Prices and Incomes Board urged the Government to pioneer in the introduction of staff status for its employees <sup>29</sup>.

In the future, progressive British managements are likely to stress the importance of flexible work rules and practices to meet the requirements of modern production technologies. And, in this context, staff status for all employees may be introduced as a step toward making the enterprise a more homogeneous social unit, particularly as many manual workers are now becoming more highly skilled and responsible for expensive capital equipment. Thus, the gradual extension of staff status for industrial workers in Britain is likely to continue irrespective of any future growth in social security benefits, the opposition of staff employees, and the continued need for differentiated pay structures.

Productivity bargaining is clearly the most significant of these innovations in British collective bargaining. Its purpose and approach can be clearly distinguished from conventional collective negotiations in which the parties are concerned exclusively with a division of the available resources in the firm or the industry, while productivity bargaining emphasizes joint union-management cooperation in agreeing to change work practices to increase the amount of resources available to be shared between them.

Early in the decade the management of Britain's most progressive firms and industries was its main initiator, although many unions embraced productivity bargaining as a means of achieving higher pay, improved status and increased fringe benefits for their members. Since 1966, Government policy played a larger role as productivity improvements were continuously re-emphasized as the most relevant criterion for justifying « exceptional » wage increases under the incomes policy and many Prices and Incomes Board reports singled out productivity bargaining as an important method to achieve improved industrial efficiency. Nevertheless, productivity bargains are still confined to a small portion of British industry. An extensive survey in 1966 revealed that no more than 750.000

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<sup>29</sup> See National Board for Prices and Incomes Report No. 18, *Pay of Industrial Civil Servants*, Cmnd. 3034, H.M.S.O., London, 1966.

employees were covered by productivity agreements<sup>30</sup>. Undoubtedly, the number of workers covered has increased since then, but probably only a small percentage of the working population are covered by genuine productivity bargaining<sup>31</sup>.

Productivity bargaining has undoubtedly made a significant contribution to industrial efficiency, but its reconciliation with industry-wide bargaining has been difficult<sup>32</sup>. This is because the bargainable issues in most productivity agreements are unique to the company or plant concerned and negotiations on them must be conducted by local management and union representatives. So far, industry-wide productivity agreements — mainly negotiated in the nationalized industries which operate under centralized management control — have been rare, but their experience has demonstrated that extensive and detailed local negotiations are necessary for their successful implementation.

The advantages to management of plant level productivity bargaining are the ability to identify specific obstacles to efficiency, to concentrate on gaining the acceptance of changes from particular work groups and to directly monitor the implementation of the negotiated changes in work rules and practices. An obvious union benefit is the opportunity for covered workers to win substantial wage improvements. Alternatively, under industrywide agreements it has been difficult to single out inefficient operations which are common to the whole industry and to ensure a direct link between pay improvements and compensatory changes in work practices, while differential wage gains which benefit only some of their members have caused internal political problems for some unions. The successful experience of both industrywide and companywide productivity

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<sup>30</sup> Ken JONES and John GOLDING, *Productivity Bargaining*, Fabian Research Series, No. 257, London, 1966, p. 5.

<sup>31</sup> For 1968 and 1969 the Department of Employment and Productivity reported that some 3,000 settlements covering six million workers had been included in its register of submissions under the « productivity » clause of the incomes policy. However, as Professor Turner suggests, most of these agreements did not include any extraordinary changes in working methods or practices. See H.A. TURNER, *op. cit.*, pp. 202-203.

<sup>32</sup> For detailed information on the content of productivity agreements see: JONES and GOLDING, *op. cit.*, chapter two and Royal Commission on Trade Unions and Employers' Associations, Research Paper 4: *1 Productivity Bargaining; 2 Restrictive Labour Practices*, London, H.M.S.O., 1967. Also Allan FLANDERS, *The Fawley Productivity Agreements: A Case Study of Management and Collective Bargaining*, London, Faber and Faber, 1964.

agreements demonstrates that this bargaining approach can be successfully applied outside a specific plant context. But, they have been difficult to negotiate and administer and have placed severe strains on both the unions and management involved.

The development of productivity bargaining on a completely decentralized basis does raise a number of problems. For example, the substantial improvements granted under these agreements may result in union pressure on other firms in the same labor market to match these concessions on a basis unrelated to productivity<sup>33</sup>. More importantly, its growth, and that of plant bargaining generally, may force changes in the traditional role of both the national unions and employers' associations in the bargaining process. Thus, they are likely to become involved increasingly in national negotiations which are formally recognized as covering only minimum standards, with their new major functions being that of servicing, supporting and supervising local bargaining activities. Although some of the larger unions and employers' associations have begun to face up to the possibility of these changes in their bargaining functions, changes are likely to be slow<sup>34</sup>. This will be particularly true of the employers' associations whose numerous small and medium-sized members still look to them, quite properly, as a defense against general union demands, rather than as a consultant to their own independent bargaining initiatives<sup>35</sup>.

These important innovations demonstrate the vitality of the bargaining process and show that British employers and unions can, if they choose, face up to the challenges of the 1970's. However, so far their growth has been limited with the major bottlenecks to any significant extension being both the limited capacity and determination of many British

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<sup>33</sup> For a fuller elaboration of this and other criticisms, see the Confederation of British Industry, *Evidence to the Royal Commission on Trade Unions and Employers' Associations*, 1965, paragraphs 83, 91-2, 112-115; also W.R. KEELER, «The Relationship of Plant Productivity Agreements to Incomes Policy,» *The British Journal of Industrial Relations*, Vol. V, No. 1, March 1967, pp. 40-47.

<sup>34</sup> Information on some of these changes, both philosophic and procedural, can be found in: E. McCullough, «Productivity Agreements and the Structure of Collective Bargaining,» *The British Journal of Industrial Relations*, Vol. V, No. 1, March 1967; Martin Jukes, *The Role of the Industrial Federation in the 1970's*, Industrial Education and Research Foundation, London, 1968; and The Engineering Employers' Federation, *Productivity Bargaining and the Engineering Industry*, London, 1968.

<sup>35</sup> This view is strongly emphasized in the Royal Commission on Trade Unions and Employers' Associations Research Paper 7, *Employers' Associations*, H.M.S.O., London, 1968.

managements to make the necessary changes and the unwillingness of many unions to drop their defensive positions and cooperate in joint efforts to improve industrial efficiency. Clearly, Government policy and labor cost pressures in the future will encourage these developments, especially that of productivity bargaining, but the extensiveness or rapidity of their general introduction into British industry is questionable.

### **The Challenge of Incomes Policy**

So far this article has been concerned with collective bargaining at the industry or plant level. However, since 1945, Britain's traditional collective bargaining system has been modified by the efforts of all governments to devise effective incomes policies. The impetus for British incomes policy emerged out of a governmental commitment to a set of policy goals, which have been difficult to achieve simultaneously, together with the fact that traditional demand restraint policies have worked clumsily and become unacceptable as solutions to Britain's economic problems when pushed beyond a certain point. Like other Western industrial economies, Britain is committed to three general policy goals : rapid economic growth, full employment and stable prices. But, their achievement was made even more difficult by the addition of another major goal to this triumvirate — the stability of the Pound. Supporting a world currency requires a strong foreign trade position — a difficult task to achieve in a country whose imports are approximately 20 percent of its national income. Moreover, this problem is compounded further because the British economy has experienced a relatively slow growth of productivity, resulting in her export prices rising faster than those of her competitors — a major reason why Britain's share of world trade has fallen sharply since the end of the war.

A full-blown history of incomes policy in postwar Britain is impossible to provide here <sup>36</sup>. However, its « modern » epoch dates from the early

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<sup>36</sup> There is now a voluminous literature on British incomes policy. Two useful general sources are : D.C. SMITH, *Incomes Policies : Some Foreign Experience and Their Relevance for Canada*, Ottawa, Economic Council of Canada, October 1966 ; and E.H. Phelps BROWN, « Guidelines for Growth and for Incomes in the United Kingdom : Some Possible Lessons for the United States, » in G.P. Schultz and R.Z. Aliber (Eds.), *Guidelines, Informal Controls and the Market Place*, Chicago, University of Chicago Press, 1966. A detailed and particularly perceptive review of the British experience prior to the November 1967 devaluation can be found in Lloyd Ulman, « Under Severe Restraint : British Incomes Policy, » *Industrial Relations*, Vol. 6, No. 3, May 1967, pp. 213-66.



1960's with the most recent phase in British experience with incomes policy commencing with the election of a Labour Government in 1964. Indeed, the new Government stressed that a voluntary incomes policy would be a key component of its general economic program. And, this strategy reflected the Wilson Administration's confidence in winning the unions' support, which was encouraged by several distinctive features of Labour's incomes policy.

In the first place, of course, union support was forthcoming on ideological grounds, but this basis for cooperation was strengthened by the Government's willingness to introduce a policy which provided equal treatment for prices, dividends and wages. This commitment was demonstrated by the abolition of the Conservative's National Incomes Commission and its replacement with a new review body — the National Board for Prices and Incomes. Secondly, the Wilson Administration rejected wage restraint, and instead espoused a positive policy for the « planned growth » of incomes in a context of economic planning in which the TUC would play an important role. Finally, the Government stressed that the incomes policy would be an instrument of social justice to improve the economic circumstances of low income groups in British society.

However, what began as a glorious effort to establish a comprehensive productivity, prices and incomes policy soon turned into a disaster. From the start inflation and balance of payments deficits, combined with heavy pressures on Sterling, thwarted the Government's efforts and subsequently forced the introduction of a severe program of traditional deflationary measures, including a wage/price freeze and finally, in November 1967, a devaluation of the Pound. As a result, the Wilson Administration's long-term growth and social equity objectives had to be sacrificed to the exigencies of economic crisis and these policies, plus a step-by-step introduction of legislation to delay or prevent wage or price increases led to bitter disagreements between the Government, the TUC and the CBI, squabbles within the Labour Party and a dissipation of the political support Labour had achieved in the 1966 general election. By the Fall of 1969 the policy had lost its credibility and following a substantial explosion of wage increases in the subsequent nine months, it was clearly a dead letter when the Conservatives returned to power in June, 1970<sup>37</sup>.

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<sup>37</sup> A stage-by-stage development of Labour's incomes policy, usually marked by the publication of government policy in various White Papers is found in, « Chronicle : Industrial Relations in the United Kingdom, » published as an appendix to each issue of *The British Journal of Industrial Relations*.

In spite of this gloomy record, an evaluation of Labour's incomes policy does provide important lessons for the future. However, before proceeding with such a review, an examination of the key role played by the National Board for Prices and Incomes in the administrative evolution of the policy is worth consideration. The National Board for Prices and Incomes was established in February 1965 as a statutory, tripartite review agency to examine individual references in order to advise whether or not the behavior of prices, wages, salaries or other money incomes was in the national interest<sup>38</sup>. Since 1966, with the emer-

gence of Labour's increasingly stringent incomes policy, the role of the Board expanded both as a result of a larger workload and an extension of its powers. Between April, 1965 and December, 1970, the Board published 164 reports with the bulk of them focusing on industrywide wage-price decisions, roughly divided between cases in the public and private sectors.

The Board's unique contribution was largely a result of its own definition of its role in the incomes policy. As the Board observed in its first report in June 1965<sup>39</sup> :

« There are two possible causes lying behind the phenomenon of rising prices. First, demand may be too high in relation to the capacity to meet it. Secondly, even though demand may be reasonably in line with capacity, old habits, inherited attitudes and institutional arrangements may nonetheless all still combine to exert an upward pressure on prices.

The treatment of the first cause . . . lies with the Government. It is the treatment of the second cause only ; i.e., old habits, inherited attitudes and institutional arrangements, which lies with ourselves as a Board. Success in dealing with each of the two causes, however, depends on success in dealing with the other.

. . . (Nevertheless), experience has shown that attitudes are not changed by a use of the fiscal and monetary weapons at the disposal of the Government. Nor are they susceptible to legislation – habits are not changed by law. We see ourselves as promoting change by conducting a continuing dialogue with management, unions and indeed Government ».

<sup>38</sup> For a review of the Board's early experience see, Robert B. MCKERSIE, « The British Board for Prices and Incomes, » *Industrial Relations*, Vol. 6, No. 3, May 1967, pp. 267-84.

<sup>39</sup> The National Board for Prices and Incomes, *Road Haulage Rates*, Report No. 1 (Interim) Cmnd. 2695, London, H.M.S.O., June 1965, p. 1.

Essentially the Board saw itself engaged in a long-term campaign to change union-management attitudes and practices which impeded industrial efficiency. However, the Board also performed a judicial function, involving judgment on particular wage-price decisions using the policy's general criteria. But even in this role it acted cautiously, not wishing to reject flatly a proposed price or pay increase. Thus, usually it recommended improvements in industrial efficiency to reduce the need for price increases or to bring wage costs closer to what was acceptable under the incomes policy.

This policy of diplomacy was reflected in the Board's operating procedures. Its legal powers requiring the submission of evidence were never used because this approach might have encouraged compliance without achieving the cooperation of the parties in improving industrial efficiency. Moreover, while its decisions were not legally enforceable, the Board widely publicized its recommendations and, more importantly, devised procedures to monitor their implementation. In some cases the Board submitted interim reports so that the situation could be reviewed before a final report was issued. In others, the parties were required to report back to the Board or make public progress reports. Finally, a number of industries were the subject of several references to the Board, providing opportunities for an evaluation of the progress made since the last report.

Nevertheless, Britain's economic difficulties forced the Board to strike a perilous balance between this problem-solving role and the need to confront wage-price decisions against the immediate background of an increasingly stringent incomes policy. The Board's reconciliation of these competing objectives is demonstrated best in a review of its principles for wage-price behavior.

In its application of the price criteria under the policy, the Board opposed price increases, except in those cases where uncontrollable costs had risen, while strongly emphasizing that compensatory reductions should be made in costs under management's direct control. Since 1967 the effects of increased taxation or the devaluation were the only generally acceptable justifications for price rises, but all such references were scrutinized carefully to determine their justification.

In the field of wage review, the Board had more opportunities for innovation as it differentially applied all four of the above-the-norm wage exceptions which were listed in the April, 1965 White Paper as being confined to the following circumstances :

Where the employees concerned make a direct contribution towards increasing productivity (for example by accepting more exacting work or a major change in working practices) ; where it is essential to secure a change in the distribution of manpower ; where existing wage and salary levels are too low to maintain a reasonable standard of living ; and where pay for certain workers has fallen seriously out of line with the level of remuneration for similar work.

The Board opposed the application of the labor shortage and comparability criteria on the grounds that their acceptance would result in inflationary labor cost increases. It took a particularly tough stand on the wages comparability in spite of the fact that this concept is a deep-rooted premise of British collective bargaining. Chairman Aubrey Jones justified this approach on the grounds that <sup>40</sup> :

« There is much evidence that comparisons are in fact extensively used when they serve neither as a measure of the market nor as a measure of fairness . . . When comparison is pushed beyond its due purpose in this way it can cause concessions legitimately made in exchange for changes in working practices to be copied without any corresponding change in working practices and, therefore, with inflationary consequences. For this reason the Board has sought to abate the exaggerated use of comparisons ».

However, the Board was aware that this criteria could not be totally abandoned. Thus, it argued that comparisons should be made only between groups with similar skills and qualifications and in common labor markets rather than between groups whose pay levels had been linked simply through tradition, custom and past practice.

The low pay and productivity criteria were emphasized strongly by the Board since the introduction of Labour's stringent incomes policy in 1966, with the need for increased productivity being a major theme in many of its reports. Moreover, since the autumn of 1966 the Government resurrected low pay (along with increased productivity) as one of the two justifications for exceptional pay increases and dispatched several references to the Board on claims for increased minimum wages.

In these reports the Board argued that the lower paid should have a prior claim on resources for wage increases, while stressing that the wage system was an imperfect instrument to improve their circumstances, which could be best provided by extended social services. Moreover, as its me-

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<sup>40</sup> Quoted in MCKERSIE, *op. cit.*, p. 275.

thod of determining who were among the lowest paid, the Board rejected any general « standard of need » in favor of detailed comparative examinations of wage rates, earnings, hours worked and other fringe benefits. It also argued that when the lowest pay levels were improved, those differentials which should be maintained should be distinguished from those which should not. Finally, several reports criticized the wages councils for neglecting the plight of the lower paid and being contributors to inflationary wage pressures <sup>41</sup>.

The Board's tough-minded, although admittedly preliminary, review of the problem of the lower paid was an important input in policy discussions. A Labour Government study carefully reviewed the problems of the implementation of a national minimum wage and in 1970 legislation providing equal pay for women workers by 1975 was introduced. More specifically, partly in response to Board criticism, the Department of Employment reviewed the wages council system to determine its capacity to encourage voluntary collective bargaining and to provide a context for a closer linking of pay and productivity.

The productivity criterion has been the most strongly endorsed by the Board and has been applied extensively in many of its reports. For, as it observed in its first annual report : « We have endeavored in reply to each of the references made to us — whether it be a reference relating to incomes or to prices — to put forward concrete suggestions for increased productivity. We have done this because the only source for increase incomes which will not lead to increases in prices is improved productivity » <sup>42</sup>. In 1966 the encouragement of genuine productivity bargains became the centerpiece of Labour's incomes policy, and by 1969 the Government had requested the Board on three occasions to develop guidelines to evaluate productivity agreements. After lengthy study in August, 1969, the Board outlined in detail the specific features of acceptable productivity agreements <sup>43</sup>. In addition to this general evaluation, the Board

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<sup>41</sup> For a detailed discussion of these reports and the response to them see, R.F. BANKS, « Wages Councils and Incomes Policy, » *The British Journal of Industrial Relations*, Vol. V, No. 3, November 1967, pp. 338-358. Also, The National Board for Prices and Incomes, *Pay and Conditions in the Clothing Manufacturing Industries*, Report No. 110, Cmnd. 4002, London, H.M.S.O., April 1969.

<sup>42</sup> The National Board for Prices and Incomes, *General Report : April 1965 to July 1966*, Cmnd. 3087, London, H.M.S.O., August 1966, p. 11.

<sup>43</sup> The National Board for Prices and Incomes, *Productivity Agreements*, Cmnd. 4136, London, H.M.S.O., August 1969.

also examined particular productivity pacts, although several of its recommendations were less stringent than its general guidelines<sup>44</sup>. Nevertheless, the Board's view was normally a judicious mixture of toughness and flexibility, in line with its policy of providing immediate solutions to bargaining demands while also encouraging increased productivity in the longer term.

In retrospect, it is difficult to evaluate the Board's specific contribution to Labour's prices and incomes policy. Nevertheless, the Board generally was successful with regard to three specific considerations : first, its continued acceptance by management, unions and by implication, the public at least until the late 1960's ; secondly, its recommendations of specific changes in wage-price behavior acceptable to the parties ; and thirdly, its critical evaluation of some key practices of British collective bargaining.

The Board's acceptability was a result of a variety of reasons. In the first place, it administered a policy which focused equally on prices and incomes. Moreover, the able leadership of chairman, Mr. Aubrey Jones, produced an extraordinary mixture of toughness, shrewdness and imagination in its reports. In addition, the Board usually reported quickly, usually within three to four months of receiving a reference, so that it often influenced the parties' attitudes before final decisions were made. Furthermore, its use of informal investigating procedures encouraged a flexible non-adversary approach by the parties. Finally, the Board retained its independence of the Government both by its refusal to be transformed into simply another arbitration body and a vigorous statement of its own views on how the incomes policy ought to be applied in particular cases. Thus, until the death of Labour's incomes policy at the end of the decade, the Board's role was accepted with failures to cooperate in its investigation limited to a few cases.

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<sup>44</sup> For example, in a recent report on the electricity supply industry – a pioneer in productivity bargaining – the Board justified a more liberal wage recommendation by arguing that « we have thought it equitable to make some special allowance for the fact that the cooperation given under the Productivity and Status Agreement of 1964-65 was followed by a drop in earnings in the electricity supply industry in relation to earnings in industry generally. It cannot be regarded as a good advertisement for a closer relationship between pay and performance if those who have been among the first to cooperate in such a relationship are seen to be falling behind others in their earnings. » See National Board for Prices and Incomes, *Electricity Supply Workers*, Report No. 42, Cmnd. 3405, H.M.S.O., London, September 1968, p. 22.

The Board also had immediate impact on particular wage-price decisions, including the deferment of certain proposed increases, while other of its recommendations encouraged long-run institutional changes<sup>45</sup>. The Board was not completely successful, however. Many recommendations simply were ignored or the parties failed to increase productivity to offset higher costs. It also experienced various operating problems. The Board could not select its own references, and, thus, it was unable to select key cases to elaborate the incomes policy criteria. Therefore, while the Board did specify its preferences for particular references in its annual reports, in the late 1960's it was particularly critical of the Government's reference strategy.

Other problems were the limited time in which the Board was normally obligated to complete its studies and the absence of adequate cost, wage and labor force data in several of its references. Finally, in some cases its application of the incomes policy criteria has been questionable. For example, its almost blanket support for the productivity criteria posed a number of practical and conceptual problems. And, the Board's general opposition to the labor shortage and comparability criteria was somewhat overstated, although a broad acceptance of these principles would have encouraged a flood of wage claims<sup>46</sup>.

Undoubtedly, the Board's most important contribution was its evaluation of some key practices of British collective bargaining. The Board's views on wage comparability specified the specific circumstances in which this criterion should be applied and its study of incentive payment systems was one of the most detailed reviews ever undertaken of this aspect of British industrial relations. Its reports on lower paid workers identified the problems involved in determining who these workers were and the consequences of increases for the lower paid on the structure of wage differentials. The Board's interpretation of the productivity exception provided specific guidance on how pay should be related to performance in concrete situations with these efforts contributing importantly to the dramatic growth of productivity bargaining in British industry. Finally, it

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<sup>45</sup> Data on the outcome of the Board's specific recommendations can be found in its annual reports published in July or August since 1966.

<sup>46</sup> See MCKERSIE, *op. cit.*, pp. 271-75; also, A.W.J. THOMSON, « Collective Bargaining Under Incomes Legislation : The Case of Britain's Buses, » *The Industrial and Labor Relations Review*, Vol. 24, No. 3, April, 1971, pp. 389-406.

encouraged a decentralized, comprehensive system of plant bargaining, a development supported by the Royal Commission and by both the Labour and Conservative Governments<sup>47</sup>.

In summary, in spite of extensive difficulties, the Board did inject public interest considerations into Britain's voluntary collective bargaining system and demonstrated its ability as an effective «halfway» house between mere exhortation and a direct system of wage-price controls. In 1970 the Labour Administration proposed its merger with the Monopolies Commission to form a Commission for Industry and Manpower with responsibilities for studying references concerning monopoly practices, company mergers, manpower and resource utilization and specific wage-price decisions. However, the Tory Opposition opposed this move and the new Conservative Government decided to abolish the NBPI after the completion of its remaining studies. Many of the Board's personnel are to be transferred to a new Commission for Competition — the Tory's proposed replacement for the Monopolies Commission — while others will staff a new Office of Manpower Economics (OME) which is to service three standing review bodies concerned with the salaries of chairmen and board members of the nationalized industries, the Judiciary, senior civil servants and army officers; the pay of the armed services generally; and the remuneration of doctors and dentists. Reportedly the Conservatives' decision to abolish the NBPI was based on their opposition to a statutory prices and incomes policy and their concern about growing state intervention in the economy. Apparently the abandonment of any price review functions and the unpredictability of the new OME's role represents a Tory decision to dissipate the NBPI's expertise in the field of wage-price review because of doctrinal social and economic policy predilections.

What, then, are some of the general lessons of the Labour Administration's experience with incomes policy? First, the assignment of multiple goals to the policy such as stable prices, an improved balance of payments, higher rates of economic growth and income re-distribution placed the Labour Government in a difficult position concerning trade-offs between them. In particular, as a result of Britain's disastrous economic circumstances both the economic growth and social equity goals were jettisoned

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<sup>47</sup> See H.A. CLEGG, «The Role of Government Agencies,» *The Scottish Journal of Political Economy*. Vol. XVII, No. 2, June 1970, pp. 306-310.



in favor of inflation restraint policies, a program resulting in severe political handicaps for the Labour Government<sup>48</sup>.

Secondly, the Wilson Administration's selection of an incomes policy as the major centerpiece of its domestic economic program proved untenable. Thus, until its abolition in 1966, the voluntary incomes policy could not restrain the inflationary pressures generated by high levels of private demand, an expansion in public spending and the extensive supplementation of national agreements by local wage drift. The wage-price freeze of 1966, together with the subsequent devaluation and return to restrictive monetary and fiscal policies, reflects Labour's painful recognition that an incomes policy was simply a complement — and possibly a minimal one at that — to the traditional panoply of anti-inflation controls.

Evidence on the effectiveness of compulsory wage-price controls is also available for between 1965 and 1969 Britain experimented with a variety of increasingly stringent restraints. Here again the experience is largely discouraging for, while such controls were indeed effective, particularly in the wage-price freeze of 1966, their long-run impact was negligible. This is because their effectiveness depended on an assumption that most unions and management will follow the incomes policy voluntarily with only a few «rogue elephants» needing to be curbed by legal restraints. However, in a context of bouyant demand this basic assumption was disproved, and, as the Labour Government's pre-election behavior demonstrated, a vigorous application of such controls was politically dangerous.

Alternatively, Britain's experience shows that an incomes policy was a modestly important complement to other economic policies. History indicates that vigorously pursued on their own, traditional deflationary measures extract too high a price in terms of foregone economic growth and politically unacceptable levels of unemployment. Alternatively, a maximum growth policy based on the hope that productivity gains will outstrip inflationary pressures is a doubtful gamble. Thus, incomes policy appears to have achieved greater price stability at a cost of lower un-

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<sup>48</sup> An excellent general discussion of Western European incomes policy and the source of many conclusions reached here is Lloyd Ulman, «Wage-Price Policies: Some Lessons From Abroad,» *Industrial Relations*, Vol. 8, No. 3, May 1969, pp. 195-213.

employment than would have been the case otherwise, while also providing opportunities for modest additions to the rate of economic growth and some gains in social equity. A general conclusion is that an incomes policy can complement effectively other economic policies, but its advantages are likely to be minimal and possibly transitory as the policy's political costs increase with a vigorous application in an inflationary context.

Beyond these general statements, some judgments are possible about the quantitative impact of Labour's incomes policy from the standpoint of both benefits and costs. Wage and price behavior has varied against a background of low unemployment and within broad limits both phenomena have been sensitive to changes in the level as well as rate of unemployment. On the wages side, according to a provisional NBPI study, the policy appears to have reduced the annual rate of wage rise by one percent from what it otherwise would have been. However, more detailed econometric studies indicate a smaller positive impact, while still demonstrating that the policy did restrain wage rises<sup>49</sup>. On the prices side, its impact appears to have been considerably less, with the annual rate of price rise with the incomes policy being about the same as could be expected in its absence in a similar economic context. However, prices did increase at a lower rate in the freeze period of 1966-67 than would have been expected typically.

British experience also shows an almost non-existent re-distributive impact of the incomes policy as far as inter – and intra-industry wage differentials are concerned. The efforts to use the policy as an instrument to improve the position of lower paid workers foundered largely because their wage improvements usually were extended to all workers in the industries concerned. In addition, opportunities for wage drift in the private sector allowed well-organized groups to re-assert customary wage relativities in local negotiations supplementing industrywide agreements.

Several costs of the incomes policy also can be identified. A successful application of the policy might have introduced rigidities in the allo-

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<sup>49</sup> A widely quoted study of British incomes policy argued that its most successful operation occurs at high levels of demand with the acceptance of some inflationary price rises. Alternatively, the general acceptance of the policy's « wages norm » as a minimum standard for all increases resulted in more substantial wage inflation than would be expected at higher levels of unemployment. See R.G. LIPSEY and J.M. PARKIN, « Incomes Policy : A Re-appraisal, » *Economica*, Vol. 37, No. 146, May, 1970, pp. 115-138.

cation of resources in the economy. Specifically, the market mechanism for allocating labor among industries and occupations might be impeded by the extent to which the policy either imposed similar wage settlements across the economy or prevented wage increases from occurring except in high productivity or low wage sectors. As indicated above, however, the impact of the policy on prices, wages and wage differentials has been limited. This is largely because Britain's product and labor markets are already quite imperfect with their institutional rigidities making it difficult to allocate labor on the basis of differential wages. In addition, Britain's highly decentralized price determination system and the importance of wage drift — both of which enable the reassertion of market pressures — prevented substantial rigidities in the market mechanism. Finally, several important sectors in the economy, especially executive and white collar pay levels in the private industry, were not covered by the incomes policy and were, therefore, determined by the typical mix of institutional and market pressures. Thus, the purely economic costs of the policy seem fairly modest, particularly in combination with the modest economic gains described above.

The heaviest non-economic costs imposed by the policy were political. As noted above, the British labor movement first accepted an incomes policy enthusiastically, but in the late 1960's union support waned significantly as the Labour Government implemented stringent monetary and fiscal policies and resorted to legal controls for its implementation. While the labor movement continued to accept the basic social and economic justification for an incomes policy, it could not withstand the wage pressures from its grass roots membership or between unions. Even the TUC's own incomes policy was seriously weakened by its affiliates' opposition as Labour's stringent policy produced union distaste for any interference in the collective bargaining process.

British management also accepted an incomes policy initially, partly for reasons of political inevitability, but also because it was an alternative to undesirable traditional demand restriction policies and offered a bulwark against union wage demands. However, management support also has faded, triggered in part by Labour's unwillingness to limit public expenditures, and the extensive impact of wage drift untouched by the policy's control mechanisms. The Government's restrictive economic policies and failure to support employer resistance to union demands in several key negotiations also were factors in management's disillusionment. Thus, this review of the policy's political consequences reinforces the general con-

clusions reached above ; namely, its success was almost exclusively short-run, and in a context of economic stringency, continuous union and management support for an incomes policy was difficult to obtain in the longer term.

In spite of this mixed experience, an incomes policy is likely to emerge again as one of the Government's general economic policies, although now the expectations for its success will be more limited. Partly, this is because an incomes policy does have real payoffs, even if they are minimal and apply mainly in the short term. More importantly, an incomes policy may be applied simply because of the absence of other effective and politically acceptable anti-inflationary policies. Today, much more than a decade ago, a ruthless application of traditional monetary and fiscal policies is socially unacceptable and politically disastrous in any more than the short term. In addition, an important benefit of a future incomes policy may be its educational impact on institutions of Britain's collective bargaining system. For example, an encouragement to greater industrial efficiency via productivity bargaining was clearly one result of Labour's incomes policy. And, the achievement of closer linkages between pay and productivity is a benefit of incalculable worth to Britain's economy.

At the end of the decade, incomes policies generally fell out of favour or faced severe criticisms both in Western Europe and the United States. In spite of annual price and wage increases of approximately 8 and 15 percent respectively during the last 18 months, the Tories also have abandoned an incomes policy except for taking a tough line on public sector pay claims and urging private sector employers to stand firm in the face of large union wage demands. However, faced with rising unemployment and a stagnant growth rate, the Conservative's first two budgets have encouraged a modest reflation. Accordingly, the threat of continued inflation remains and further adventures with incomes policy are likely to occur, especially if higher levels of unemployment are required to keep wage increases within reasonable bounds — the experience of the late 1960's — holds true in the future<sup>50</sup>. Such circumstances will raise the political and economic costs of pure monetary and fiscal management and increase the appeal of an incomes policy. However, whether the Heat Administration will reach a similar policy conclusion remains to be seen.

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<sup>50</sup> This changed relationship is noted by Samuel BRITAN in « Wage Inflation and the Labour Market, » *The Financial Times* (London), January 22, 1970.

## Some Conclusions

In the 1960's Britain's collective bargaining system was modified in several important respects. What, then, are the implications of these changes for the future? Clearly, the major challenges to the system were the emergence of informal plant and companywide bargaining in key sectors of the economy and the growth of state intervention in industrial relations. Nevertheless, as with most British institutions, the pull of history is strong; most of the main features of the system in 1960 had been changed only moderately by the end of the decade and will be carried on into the 1970's. Industrywide bargaining — especially in the public sector, multi-occupational unionism in competing jurisdictions, powerful employers' associations, limited scope agreements, the wages council system and joint consultation will all be continuing features of the British system of industrial relations. Moreover, none of these changes has challenged fundamentally the traditional British approach of according a priority both to collective bargaining over all other methods of pay determination and to voluntary over compulsory procedural rules for the regulation of its conduct.

The most dramatic innovation of the past decade was the extensive modification of Britain's traditional policy of « collective laissez faire » in industrial relations with government intervention becoming the rule rather than the exception. However, such government initiatives were confined largely to the extension of public policy into areas where joint union-management approaches had failed to respond to the needs of a modern industrial society or to encouraging the modernization of voluntary bargaining procedures. A major example of state involvement of the first type was the development of an active labor market policy. Its key ingredients were an improved employment service, mobility allowances, wage-related unemployment benefits and extended government manpower forecasting efforts, together with legislation on dismissal notification, industrial training and severance pay. The second approach is exemplified by government intervention in the docks and the automobile, shipping and ship-building industries to modernize collective bargaining procedures in these key sectors of the economy through the combined effects of publicity, « arm twisting » and pointed recommendations for change.

Government efforts to establish an incomes policy might appear to be an important exception to the kinds of state intervention described

above. However, Labour's « Early Warning » reporting system for wage and price increases, statutory wage-price controls and the extensive investigatory role of the Prices and Incomes Board were never intended to replace established bargaining procedures. In fact, the introduction of statutory controls and draconic deflationary measures resulted in a serious breach between the Wilson Administration and the labor movement, which viewed them as an unacceptable intrusion into the collective bargaining process. So far the new Conservative Government has declined to resurrect an incomes policy as a major ingredient of its national economic program. Nevertheless, as this is written in May, 1971, various proposals to curb inflationary wage increases are being pressed on the government, including a wage freeze, wage norms tied to the cost of living, taxes levied against those firms granting extraordinary wage increase and special treatment for productivity agreements and low paid workers. How soon the Tories respond to these calls to re-introduce an incomes policy probably will depend on the success of their current economic policies and whether the labor movement will cooperate again in such a policy. However, when, and if, the rebirth of an incomes policy occurs, it almost surely will be only one element of a general economic program which strongly emphasizes the traditional role of monetary and fiscal policy and accepts an essentially voluntary system of collective bargaining.

In any event, based on Britain's past experience, probably the most significant impact of an incomes policy will be the reform of voluntary bargaining procedures. For example, the emphasis on productivity bargaining in Labour's incomes policy and by the Prices and Incomes Board directly encouraged the development of plant and company bargaining. Specifically Labour's policy accepted a decentralized bargaining system, while seeking its reform through the introduction of systematic procedures, rationalized wage structures and closer linkages between pay and productivity. And, whatever the form of any future Tory incomes policy, their general approaches to the economy and industrial relations are likely to work in the same direction.

Without question, the most far-reaching challenges to « voluntarism » in British industrial relations are presented by the proposals for a general reform of the system developed initially by the Royal Commission and subsequently by the Labour and Conservative Governments. Because these proposals have provoked such extensive controversy and partisan criticism, it is worth re-emphasizing how much in common they have with one another. Although varying in their specific legal, institutional and

procedural recommendations, all of them have affirmed: continued support for an essentially voluntary collective bargaining system, while being sharply critical of current institutions and procedures ; the necessity to codify and up-date Britain's nineteenth century system of labor law ; the public review of particular industrial relations problems and practices by a Commission on Industrial Relations ; the need for a strong and responsible labor movement, supported by procedures for union recognition ; approval of the development of a comprehensive, coordinated system of local bargaining ; and the establishment of procedures to guarantee the rights of union members and employees.

The major points of disagreement, between the Conservative Government on the one hand and the Royal Commission and the Wilson Administration on the other, were over the role of the law as a change agent in industrial relations and the relevance of legal restrictions on the right to strike. As the Conservative's new Bill is yet to be approved by the House of Lords, it is impossible to do more than speculate about its consequences for British industrial relations. However, it is arguable that the new legal framework is likely to have a more minimal impact on established bargaining relationships than many of its critics now assert. In my judgment the new Act's most immediate and dramatic effects will be the provision of union recognition in previous non-union situations, the regulation of internal union affairs and the protection of the rights of individual employees. For, apart from a modest increase in litigation arising out of the Conservative's new categories of "unfair industrial actions" the use of the law in enforcing relationships between the parties probably is likely to be minimal, although the existence of such sanctions may modify industrial relations behavior. Particularly, the Tory's use of the Act's powers to invoke unilaterally the introduction of legally enforceable procedure agreements or the national emergency disputes procedures probably will be confined to a few cases. Moreover, in the case of national strike ballots and "cooling off" periods, these powers may have limited effects, especially if the United States' experience is any guide. While the most extensive role for the law in labor relations may result from a general introduction of legally binding agreements, such a development, as the new law clearly specifies, can occur only by mutual agreement of the parties.

In the final analysis, therefore, while the Conservative's new Act clearly will bring about fundamental changes in British industrial rela-

tions, any far-reaching reform of collective bargaining must depend ultimately on the voluntary efforts of both unions and management. Here the major challenge of the 1970's is to face up to the widespread growth of informal, uncoordinated plant bargaining procedures. It is generally agreed that there is an urgent need through British industry to devise new approaches to cope with the problems of union competition and uncoordinated local bargaining, irrational wage structures, the absence of a linkage between pay and industrial efficiency and the non-existence of effective joint procedure to resolve plant level disputes. Ultimately these problems can be met only through an extensive modification in the role and functions of both Britain's national unions and employers' associations to support, assist and encourage their members to confront them directly. Beyond this, of course, both local managements and union representatives must be willing to establish new plant bargaining procedures, a development which, hopefully, will be encouraged by the emerging new generation of union leaders who have had first-hand experience with the problems of plant bargaining and managers committed to the modern principles of industrial relations management.

Clearly, several developments in the last decade do indicate that responses to this challenge may be forthcoming. The development of long-term contracts, status agreements and, particularly, productivity bargaining demonstrate the fundamental vitality of the voluntary collective bargaining process. Moreover, the recent spate of union amalgamations which has established a more influential role for general unionism in the building, engineering and automobile industries, may provide a more rational union structure at plant level. Finally, the willingness of both unions and management in the engineering and automobile manufacturing industries to grapple with the problems of bargaining structure, wage structure reform and local disputes procedures is another encouraging sign. Nevertheless, so far these developments are mere straws in the wind; the satisfactory incorporation of plant bargaining into Britain's industrial relations system is far from being accomplished. And, quite apart from the Conservative's new legal framework for British industrial relations, a major and urgent need in the 1970's is for unions and management to respond to this challenge. The widespread failure of traditional institutions and procedures to respond to the emergence of plant bargaining was apparent at the beginning of the 1960's; that this failure has now been carried on into the 1970's is not only regrettable, but will have serious consequences for the British economy, both domestically and in the world industrial arena.



## Les défis posés à la négociation collective en Angleterre

La réforme des relations industrielles a été l'un des points saillants lors des élections générales de 1970 en Angleterre et l'une des priorités de la société anglaise pendant les années 1960. La Commission royale d'enquête sur les syndicats et les associations d'employeurs ainsi que les gouvernements conservateur et travailliste ont présenté les grandes lignes d'une réforme générale des relations industrielles. L'implantation de ces recommandations a amené une intervention croissante de l'État et une action positive de la part des parties à la négociation. Il en résulta un impact sérieux sur le système traditionnel de négociation collective.

### LE SYSTÈME TRADITIONNEL DE NÉGOCIATION COLLECTIVE

Voici très brièvement les principales caractéristiques du système traditionnel de négociation collective en Angleterre.

Les trois quarts des travailleurs sont couverts par la négociation sectorielle.

Environ 4 millions d'ouvriers voient leurs salaires fixés par des mécanismes statutaires.

Avec 40% des travailleurs syndiqués, le mouvement syndical anglais a une structure diversifiée. La plupart des syndiqués sont membres d'un petit nombre de grands syndicats dont les 4 plus importants sont des syndicats industriels.

Du côté patronal, on note la présence de quelque quatorze mille associations d'employeurs.

La convention collective anglaise typique porte sur peu de questions et n'a pas de date d'échéance.

La consultation complète la négociation collective dans plusieurs industries.

Le système anglais de relations industrielles favorise la négociation collective à toute autre méthode de détermination des salaires et les procédures volontaires aux procédures obligatoires pour leur application.

### LA CROISSANCE DE LA NÉGOCIATION LOCALE

La croissance de la négociation locale, depuis 1945, et plus particulièrement le phénomène du glissement des salaires et des conditions de travail, ont contribué à mettre en question la raison d'être économique et institutionnelle de la négociation sectorielle. Cette décentralisation informelle de la structure de la négociation collective a des effets positifs et des conséquences néfastes. Le côté patronal et la partie syndicale ont tous deux fait des efforts pour stabiliser la négociation locale. Cependant l'absence de réorganisation des structures syndicales au niveau de l'établissement et l'absence d'une politique efficace du personnel du côté patronal ont contribué à transformer la négociation locale en problème majeur de relations industrielles en Angleterre.

### LE RÔLE DU GOUVERNEMENT

L'intervention accrue du gouvernement anglais en relations industrielles est le changement le plus significatif dans les relations industrielles de ce pays. Durant

les années '60. Cette intervention a pris différentes formes : un programme de planification économique, une politique des prix et des revenus, des politiques fiscale et monétaire et une politique nationale du marché du travail incluant des lois sur les préavis de licenciement, la formation professionnelle et les indemnités de fin d'emploi.

#### INTERVENTION EN NÉGOCIATION COLLECTIVE

Cette intervention dans le processus de la négociation collective est largement due à la préoccupation du public britannique vis-à-vis un dossier de grèves qui laissait beaucoup à désirer. Comme exemples, citons le rôle du ministre de l'Emploi et les interventions dans les industries de l'automobile et des ports de mer. Cependant ces interventions de l'État n'ont généralement pas porté de fruits et ne représentent pas une stratégie coordonnée de réforme en relations industrielles. C'est cependant le reflet de l'abandon du support traditionnel de la prise de décisions privée en relations industrielles.

#### LE RAPPORT DE LA COMMISSION ROYALE ET LES PROGRAMMES DE RÉFORME EN RELATIONS INDUSTRIELLES

Depuis 1968, une Commission royale d'enquête et les gouvernements conservateur et travailliste ont fait des recommandations pour une réforme générale en relations industrielles. Toutes ces propositions ont beaucoup en commun. Elles supportent, avec différents degrés d'insistance, un système volontaire de négociation collective incluant des procédures assurant la reconnaissance syndicale ; une mise à jour de la législation anglaise du travail ; le développement d'un système coordonné de négociation locale ; l'examen public de pratiques et de problèmes particuliers de relations industrielles et l'établissement de procédures protégeant les droits des syndiqués et des employés.

Le principal désaccord entre ces différentes sources de recommandations portait sur l'utilité de la loi comme agent de changement et sur la pertinence des sanctions légales vis-à-vis le droit de grève. La Commission royale et le gouvernement travailliste ont rejeté l'usage de sanctions légales en général. Cependant l'administration Wilson a proposé d'imposer des restrictions quant au droit de grève, mais elles furent abandonnées à la suite de l'opposition soulevée à l'intérieur même du parti et du mouvement syndical. D'un autre côté, la proposition des Conservateurs, proposition qui va probablement devenir loi durant l'été 1971, vise à rendre les conventions collectives semblables à des contrats liant légalement les deux parties par accord conjoint. Le programme des Conservateurs permet l'imposition unilatérale d'accords et prévoit des périodes de « cooling off » et des votes de grève dans les situations d'urgence.

#### NOUVEAUTÉS EN NÉGOCIATION COLLECTIVE

Il y a eu plusieurs innovations pendant les années '60 : le développement des conventions à longue durée, les accords sur la position des syndicats, et des accords de productivité. Cette dernière innovation est la plus importante. Elle fut fortement supportée par la politique des revenus du gouvernement travailliste. Cependant les véritables accords de productivité couvrent seulement un nombre limité d'employés

et il fut difficile de réconcilier cette pratique avec les procédures de négociation sectorielle. Ces innovations démontrent la vitalité du processus de négociation collective. Mais leur diffusion dans l'industrie britannique pose de nombreux points d'interrogation.

#### LE DÉFI DE LA POLITIQUE DES REVENUS

Depuis 1945, tous les gouvernements britanniques ont expérimenté des politiques de revenus. L'époque « moderne » de ces politiques remonte au début des années '60, mais elle est surtout caractérisée par l'expérience du gouvernement travailliste de 1964 à 1970. Cependant la sérieuse crise économique anglaise de la fin des années '60 a détruit les politiques de productivité, de prix et de revenus. Le *National Board for Prices and Incomes* a joué un rôle important dans l'administration des politiques de revenus, surtout par ses recommandations visant des changements spécifiques dans le comportement salaire-prix et par son évaluation critique de pratiques importantes de négociation collective en Angleterre. Même s'il est encore possible de discuter les effets précis des politiques de revenus du Parti Travailliste, elles semblent avoir été, avec ses bénéfices économiques plus grands que les coûts, un complément utile aux autres politiques économiques. Cependant les coûts politiques substantiels restreignent les bénéfices économiques d'une telle politique à la courte période. Le nouveau Parti Conservateur a rejeté à date une politique formelle des revenus. Mais une telle approche peut renaître à cause des coûts économiques et politiques des stratégies anti-inflationnistes.

#### CONCLUSION

Le système britannique de négociation collective a été modifié durant les années '60 par l'émergence de la négociation locale informelle et par l'intervention accrue de l'État. Cependant on retrouvera encore durant les années '70 la plupart des caractéristiques de la structure britannique traditionnelle en négociation collective. Même les efforts d'implantation des politiques de revenus ne visaient aucunement à remplacer la négociation collective et son effet le plus possible en longue période sera d'en arriver à une réforme des procédures volontaires.

La nouvelle loi des relations industrielles des Conservateurs va grandement changer le cadre des relations industrielles en Angleterre. Mais nous croyons qu'elle n'aura qu'un impact minimal sur les relations de négociation déjà établies. Ultime-ment, toute réforme d'envergure en relations industrielles dépend de la volonté des parties à faire face aux changements des années '70. Un échec sur ce plan aura des conséquences graves pour l'économie britannique.