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Twelfth Annual Conference of the EBHA, 'Transactions and interactions – the flow of goods, services and information', Bergen, 21-23 August 2008

Political Intervention and the Branch Plant: Management of the Linwood Car Plant, 1963-1981 [Not for citation]¹

Summary

From opening in 1963 until closure in 1981 the car plant at Linwood in west central Scotland was the site of complex interactions between changing UK governments, successive ownership and management, and workforce that shape the nature of production, style of management, and industrial relations. From inception political intervention was a significant aspect in the history of the Linwood plant with Rootes establishment of car production at the site in 1963 a consequence of government regional policy determinism – to a reactive transaction by the Labour Government to an ultimatum issued by the American multinational Chrysler Corporation in November 1975 that its UK subsidiary was unsustainable and without financial assistance would shut down its UK plants. The economic and political ramifications of the withdrawal manoeuvred a divided House of Commons to agree a rescue package of substantial financial aid to a company of tenuous long-term viability, which could not be reconciled with the criteria for assistance in the government's new White Paper, *Approach to Industrial Strategy*, of providing aid to potentially successful businesses rather than weak companies such as Chrysler UK. A central component of the rescue package was a Planning Agreement incorporating employee participation in management decision-making that articulated with the Labour Government's manifesto commitment to industrial democracy. The interactions between management and workers at the Linwood plant explored in this paper reveal a dichotomy between the rhetoric and reality of industrial democracy and worker participation. The management of Chrysler UK devised a strategy based on consultative arrangements and facilitated communication but ultimately retained the

¹ This working paper comprises part of the research for an unfinished PhD thesis. As such this paper is not for citation.

status quo of managerial authority. Employee participation in effect comprised strategic political management by Chrysler to secure financial assistance from the government in the mid- 1970s.

Political Intervention and the Branch Plant

Following the Second World War Scotland experienced consistently higher rates of unemployment compared to the UK as a whole; perceived as being the consequence of lower rates of growth and contracting dominance of the traditional industries such as shipbuilding and engineering.² The focus on regional policy was a political response to address this situation by attracting new industries to Scotland, as advocated in the 1961 Toothill Report.³ Harold Macmillan's Conservative government 'encouraged' industrial development primarily by refusing Industrial Development Certificates to firms that planned to build in 'prosperous areas' and instead directed investment to Development Areas.⁴ The Rootes Group was one such company refused an Industrial Development Certificate for the proposed expansion at its existing operations in Coventry, England. For Lord Rootes establishing the plant at Linwood was beset by the 'handicaps of geography' and the 'increased distribution costs' related to opening a plant north of the border.⁵ Thus Rootes was directed to Linwood not through commercial viability, but as part of a major regional policy strategy to tackle unemployment associated with the decline in heavy industries and as a crucial tool in the restructuring of industry in the west of Scotland that would contribute to industrial growth.⁶

² David Newlands, 'The Regional Economies of Scotland' in *The Transformation of Scotland: The Economy Since 1700* ed. by T. M. Devine, C. H. Lee and G. C. Peden, (Edinburgh: Edinburgh University Press, 2005), p. 183.

³ Committee of Inquiry appointed by the Scottish Council (Development and Industry) under the Chairmanship of J. N. Toothill, *Report on the Scottish Economy* (Edinburgh, 1961), p. 195.

⁴ In the 1945 Distribution of Industry Act the geographical area in which the plant was situated, near Glasgow, was identified as a Development Area. G. C. Peden, 'The Managed Economy: Scotland, 1919-2000' in *The Transformation of Scotland: The Economy Since 1700* ed. by T. M. Devine, C. H. Lee and G. C. Peden, (Edinburgh: Edinburgh University Press, 2005), p. 245 and C. H. Lee, *Scotland and the United Kingdom: The economy and the union in the twentieth century* (Manchester: Manchester University Press, pp. 177-8.

⁵ Rootes Archive Centre, England, Speeches made on the occasion of the Luncheon at the Official Opening of the Linwood Factory of Rootes (Scotland) Limited by His Royal Highness, The Duke of Edinburgh, K.G., K.T., on Thursday, 2nd May 1963', p. 2.

⁶ The background to these developments has been well-documented elsewhere: John Foster, 'The Twentieth Century, 1914-1979', in R. A. Houston and W.W. J. Knox (eds), *The New Penguin History of Scotland* (London: Penguin, 1993), pp. 468-9 and Jim Phillips, *The Industrial Politics of Devolution: Scotland in the 1960s and 1970s*, (Manchester: Manchester University Press, 2008).

Political intervention at Linwood took a different form in the 1970s during Chrysler Corporation ownership of the plant from 1967 to 1979. This phase of ownership correlated with a down-turn in economic growth; quadrupling of the price of oil between 1973 and 1974 due to the OPEC oil embargo;⁷ falling domestic car sales, in particular between 1970 and 1974; a diminishing market exacerbated by increased foreign competition particularly from Japan, as well as continuing trade union strength. By late 1974 and 1975 it became apparent that Chrysler United Kingdom (hereafter UK) did not have the finances to develop new models in order to maintain its threatened market share. In November 1975 the company informed the British Government that due to lack of finance it was unable to sustain operations and as the press reported, the President of the Chrysler Corporation, John Riccardo, announced a plan to shut down the entire UK operations within four weeks if a deal was not reached with the government.⁸ The Labour Prime Minister, Harold Wilson, with the support of his Cabinet colleague, Harold Lever, reacted very quickly to the threat of closure with a rescue plan of financial assistance for a four year period. Opposed to the plan he saw as economic blackmail, the Secretary of State for Industry, Eric Varley, over-ruled by the Cabinet, presented the rescue plan to the House of Commons on the 17th December 1975. Against fierce opposition, with a majority of 21 votes the Government agreed financial assistance of £162.5 million.⁹ A condition of the rescue plan was a Planning Agreement incorporating employee participation in management decision-making that articulated with the Labour Government's 1974 manifesto commitment to industrial democracy. There was a stress on the necessity for balanced consultation between management and employees, facilitated through working together in order to devise strategies that would improve industrial relations. From the spring of 1975, prior to Chrysler's threat of withdrawal from the UK, the company's introduction of an Employee Participation Programme suggests management's willingness to embrace the tenets of industrial democracy – paradoxically union officials were not invited to participate in the process of

⁷ *The Observer*, June 22 2008.

⁸ Modern Records Centre, University of Warwick, England [Hereafter MRC], MSS.315/C/4/1, Chrysler UK, 'Building the New Chrysler: The facts about the agreement with the Government, the reasons why it was necessary and what we are going to do next', February 1976 and Paisley Central Library, Scotland [Hereafter PCL], Folder 692.2222, REN 27, PC 669, OS, Linwood Car Plant, Vol. 1, *Scottish Daily Express*, November 19th 1975.

⁹ *Hansard*, House of Commons [Hereafter HC] Deb, Vol. 902, Col. 1530-65, 17th December 1975.

negotiations in the winter of 1975 until a rescue plan had been agreed between Chrysler and Government.¹⁰

Blyton and Turnball have argued that examination of the purpose, scope and outcomes of participation schemes give an indication of the extent of employee involvement and influence in decision-making.¹¹ Drawing on source material from the Modern Records Centre at the University of Warwick this paper will focus on the transactions, interactions and reactions of the government, management and workforce that informed participation at the Linwood car plant in the context of the Rescue Plan for Chrysler UK in 1975. Initially there will be a brief theoretical analysis of industrial relations, which will underpin examination of two strands of Chrysler UK management and workforce interactions with attention to the distinction between joint consultation and joint decision-making, namely the Employee Participation Programme and the Planning Agreement Working Party. Such strategies were influenced by Chrysler's inherent unitarist orientation, which impeded the development of more effective interactions between management and workforce. Chrysler UK's attempts at industrial democracy through participation schemes did little to counter communication, consultation and decision-making asymmetries at the plant because management rhetoric was often at variance with practice and in effect comprised a coercive strategy by the Chrysler Corporation to secure financial aid from the government in the mid- 1970s.

Theoretical Framework of the Discussion

The interactions between management and workforce at the Linwood plant were determined not only by the former's perceptions of its formal relationship with the latter but the influence of political economy and historical contingencies. Successive managements at the Linwood plant utilised the rhetoric of co-operation and attributed industrial relations issues to small pockets of deviant workers. In his research paper for the Royal Commission on Trade Unions and Employers' Organisations chaired by Lord Donovan, Alan Fox identified this interaction as a unitary frame of reference within an industrial organisation. Management regarding itself as the only valid

¹⁰ PCL, Folder 692.2222, REN 27, PC 669, OS, Linwood Car Plant, Vol. 1, *Scottish Daily Express*, November 27th 1975.

¹¹ Paul Blyton and Peter Turnball, *The Dynamics of Employee Relations*, (Basingstoke: Palgrave, 2004), pp. 254-255.

source of authority controlling the activities of a workforce that shared with it the common goals of the company as opposed to a pluralist frame of reference, which Fox argued accommodated the existence of divergent and oppositional ‘orientations’ of workers and management – acknowledged by the management. Thus the recognition that conflict is an inevitable part of the interaction between different interest groups whereas in the unitary frame of reference, conflict is the result of confusion over the common aims or due to ‘agitators’.¹² This interaction was complex and concurs with John Eldridge’s claim that there was a ‘false consciousness’ within British management, because although management at the plant appeared to support organisational pluralism and facilitate employee participation it retained unitary values.¹³ This divergent conception of industrial relations was compounded by management’s acceptance of union contribution to wage rate negotiations and bargaining which Fox identified as market relations, but resistance to worker involvement in the area of managerial relations such as decisions on strategy and deployment of labour perceived as encroaching on the authority of management.¹⁴ Importantly, as Jim Phillips argues, sustained unitary values within management ‘compromised’ pluralist industrial relations in practice. Understanding the motivations of management must be situated within the context of political economy and specific historical contingencies and their impact on management and industrial organisation.¹⁵

The focus in this paper on Chrysler management strategies of employee participation, articulating with Ramsay’s cycle of influence, reveals that the interactions between politics and economics are vital to understanding the nature of management and industrial relations at the Linwood plant.¹⁶ The shift towards more interventionist economic management from the late 1940s meant greater interaction between

¹² Alan Fox, *Industrial Sociology and Industrial Relations, Royal Commission on Trade Unions and Employers’ Associations*, Research Paper 3, (London: HMSO, 1966), p. 5, 8, 12.

¹³ John Eldridge, ‘A Tract for the Times: Joan Woodward’s *Management and Technology* (1958)’, *Historical Studies in Industrial Relations* 23/24 (Spring/ Autumn 2007), p. 197.

¹⁴ Fox, *Industrial Sociology and Industrial Relations*, p. 4, 6, 7.

¹⁵ Jim Phillips, ‘Industrial Relations, Historical Contingencies and Political Economy: Britain in the 1960s and 1970s’, *Labour History Review*, Vol. 72, No. 3, December 2007, p. 217.

¹⁶ Harvie Ramsay, ‘Cycles of Control: Worker Participation in Sociological and Historical Perspective’, *Sociology*, 1977; 11, pp. 481-506.

government and industry as successive governments sought to control inflation.¹⁷ Rootes management adopted pluralist measures during boom periods when wage concessions could be used to ensure productivity increases thereby also allowing management to evade Incomes Policies through Productivity Bargaining. In the 1970s Chrysler management pursued participation in an attempt to re-orientate the attitudes of employees during a period of economic recession, falling domestic car sales, increased foreign competition and continued trade union strength. The actions of management at Linwood point to a strategy driven by ‘...a continual search for control of the shop floor organisation and to redefine the bargaining structure and agenda to meet production needs’.¹⁸ It was a dialectic process in which the interaction between the companies that owned the Linwood car plant, the government, the economy and the labour force, all served to shape management rhetoric and practice

Employee Participation: ‘A New Basis for Managerial Authority’

Developments at Linwood reflect major trends in industrial relations experienced in post-war Britain: initially industry-wide agreements initiated by employers’ associations; followed by formalised plant-based collective bargaining, productivity and procedural agreements and in the 1970s a shift towards greater centralisation and support for worker participation.¹⁹ Attempts at worker participation within Chrysler UK plants were centrally co-ordinated by the Central Industrial Relations Department and the Employee Participation and Communication Department based in Whitley, Coventry. Using the rhetoric of consultation and working together with the workforce, employee participation in management decision-making and long-term planning suggests Chrysler had embraced notions of industrial democracy embodied in the Labour Government’s Social Contract – implying employee influence in the area of ‘managerial relations’.

¹⁷ Stephen Wilks, *Industrial Policy and the Motor Industry*, (Manchester: Manchester University Press, 1984) and Colin Crouch, *The Politics of Industrial Relations*, (Manchester: Manchester University Press, 1979).

¹⁸ University of Strathclyde, Scotland [hereafter US], Linwood Source Material, Box Seven, *Making Cars and Marginalising the Workplace Organisation: Management industrial relations strategy at Linwood*, Peter Bain and Cliff Lockyer, British Trade Unionism Conference 1997, p. 2.

¹⁹ Such developments are detailed in Howard F. Gospel and Gill Palmer, *British Industrial Relations*, (London: Routledge, 1993 Second Edition), Hugh Armstrong Clegg et al., *The Changing Nature of Industrial Relations in Great Britain*, (Oxford: Basil Blackwell, 1980 Reprint) and Blyton and Turnbull, *The Dynamics of Employee Relations*.

Prior to returning to Government in 1974, the Labour Party had worked to rebuild its relationship with the trade union movement and the Trades Union Congress (TUC) as part of the Social Contract. Central to this concept was a Labour Government commitment to industrial democracy. At this time Jack Jones, General Secretary of the Transport and General Workers Union, was extremely influential in persuading the TUC and the Labour Government to recognise industrial democracy as a central issue on the political agenda. To some extent the Government was influenced by membership of the European Economic Community (EEC) from January 1973, which led to debate on the adoption of common labour laws throughout the EEC. The Labour Government provided a commitment to industrial relations legislation in favour of labour, in return for voluntary wage restraint. As part of the Social Contract, Jack Jones had argued for worker participation in the form of worker directors. This model of industrial democracy was met with a divided response within the TUC. On the one hand worker participation was perceived to be incorporating employee representatives into management which could nullify their ability to represent their members. On the other hand, access to managerial information was potentially beneficial to representatives in the collective bargaining process. This was important for those who sought to increase collective bargaining within increasingly complex organisations, including MNCs, where at times it was difficult for stewards to gain access to information.²⁰

From the spring of 1975, having abandoned the idea of worker directors due to workforce opposition, the Industrial Relations Department of Chrysler UK began developing an Employee Participation Programme (hereafter EPP), the aim of which was to provide workers an opportunity to contribute to management decisions and planning.²¹ The EPP included two employees at Board level and union representation on committees at central company level. In addition to a national negotiating committee, the programme was to introduce Plant Employee Representative Councils and sub-committees within each plant. Each would be composed of manual and staff union members to ‘discuss and review the operation of the plant on a weekly basis’,

²⁰ Crouch, *Politics of Industrial Relations*, p. 109.

²¹ John Elliot, *Conflict or Cooperation? The Growth of Industrial Democracy*, (London: Kogan Page, 1984), p. 158.

as well as maintain communication between management and the unions.²² Such proposals suggest a Chrysler UK central management that had embraced organisational pluralism and acceptance of employee influence in what Fox defined as ‘managerial relations’.

Acceptance and implementation of the EPP was a condition of the 1975 wage agreements. The company offered to pay £50 to each employee on condition of acceptance of the EPP in principle by all negotiating groups by the summer, followed by an additional £50 providing the EPP was fully accepted by the end of the year. The wage claim was submitted in May 1975 and the Linwood workforce was told it had to accept the EPP in principle by July 12th and implementation by December 24th.²³ Attached to the wage agreement proposed for the Stoke Engine Plant, which encompassed the proposals to set up the EPP, was a Chrysler UK statement claiming that the company was offering an ‘across the board’ wage increase and ‘not willing to engage in collective bargaining with different work groups’.²⁴ Although this statement was issued with reference to the engine plant at Stoke it gives some indication of the company’s attitude to joint negotiation and employee participation in the setting of wage rates. In effect a unilateral company decision that obviated employee representatives in wage rate negotiations. The EPP was not accepted at Linwood, or indeed in any of the Chrysler UK subsidiaries.²⁵ The implementation of these wage agreements led to strike activity in both the English plants and Linwood before wage rates were negotiated and increases accepted.

²² Mitchell Library, Scotland [hereafter ML], Linwood Box Two, Folder C/RP/5, ‘Employee Participation Programme – Explanation of the 4 Principles Contained in the Company’s Statement of the 23rd May 1975’, Central Industrial Relations, 7th August 1975, pp. 2-3.

²³ US, Linwood Box Five, *International Socialism*, Peter Bain, ‘Linwood 1975: One Year in a Car Factory’, January 1976.

²⁴ MRC, MSS.315/C/1/2/1, ‘An Agreement on Pay and Associated Conditions between Chrysler United Kingdom and the Amalgamated Union of Engineering Workers, The Transport and General Workers’ Union, The Vehicle Building Automative Section (T.G.W.U), The National Union of Sheet Metal Workers, Representing Hourly Paid Employees at the Stoke Power Train Complex’, May 1975.

²⁵ US, Linwood Box Seven, Cliff Lockyer, et al., ‘Industrial Democracy: Management Participation and the Search for Control, A Forty Year Case Study’, Draft Paper for the B.S.A. Conference Bradford, April 1984, p. 10.

A former shop steward at the Linwood car plant, Peter Bain points to management's motives:

By August, the EPP still had not been accepted, but after assuring the Linwood stewards that all they had to do was to allow the company to state publicly that the unions were prepared to discuss the proposals, the JRC got the go-ahead to sign. The £50 was then paid, but the eventual combine statement went a good deal further than the Linwood stewards had agreed. It was claimed that Chrysler were desperate to convince the government that labour relations were good so as to help them obtain the loan they had requested.²⁶

In light of Chrysler UK losses of £17.8 million in 1974, the offer of £100 per employee to ensure the acceptance and implementation of the EPP and resistance to engage in plant-based collective bargaining could be seen as a strategy to avoid inflationary wage claims – but cash inducement showed little genuine commitment to the principles of industrial democracy. It was a coercive transaction between management and workforce to encourage workers' acceptance of the EPP that circumvented employee participation in the setting of wage rates and consultation. With losses of nearly £80 million between 1967 and 1975 the long-term viability of Chrysler UK look pessimistic.²⁷ The urgency to implement the EPP was political strategic management to assure the Labour government of the company's commitment to proactive employee participation in consultations and decision-making in the branch plants in order to secure financial aid.

The Rescue Plan : Reactive Political Intervention

This news of Chrysler UK sustainability that prompted Riccardo's ultimatum in November 1975 did not come as a surprise to Harold Wilson's Labour Government. Aware of the problems facing the car industry he had ordered an inquiry in December

²⁶ US, Linwood Box Five, *International Socialism*, Peter Bain, 'Linwood 1975: One Year in a Car Factory', January 1976 and Obituary, Peter Bain, *guardian.co.uk*, <http://www.guardian.co.uk/news/2007/apr/09/obituaries.murrayarmstrong> accessed 19/02/2008.

²⁷ David Marsden et al., *The Car Industry: Labour Relations and Industrial Adjustment*, (London: Tavistock, 1985), p. 19.

1974 into British Leyland under Sir Don Ryder, as well as the government think-tank, the Central Policy Review Staff under Sir Kenneth Berrill to investigate the entire UK car industry. The latter study reported that the car industry in Britain was over-capacity and characterised by low productivity in comparison to European car plants. The conclusion of the report predicted that divestment was inevitable with Chrysler UK as one of the firms most likely to downsize its operations.²⁸ In November 1975 Chrysler stated its intention to close its UK subsidiary within four weeks unless the Government intervened with financial assistance. Notably, publication of the CPRS Report in early December 1975 was deliberately postponed while discussions took place between the Chrysler Corporation and the Government.²⁹

Chrysler's threat to withdraw its UK operations presented the government with a dilemma – secure equity stock in the UK subsidiary either partially or pursue a rescue strategy similar that of British Leyland and nationalise the company; conversely do nothing and let the Chrysler Corporation shut down the branch plants; offer financial assistance to the company. Equity participation meant the Government's involvement in the company would be driven by the market interests of the parent company in Detroit which may not have been in the interest of the UK economy. Acquisition of the UK subsidiary may have resolved this problem with comparatively little cost to the Government, but this had to be offset against substantial liabilities and long-term viability of a company too small to compete and succeed without access to wider market developments that could be provided by the Chrysler Corporation. Alternatively, the Government could simply have let the Chrysler Corporation close down its UK subsidiary but this could have had economic and political ramifications. Although the UK subsidiary's share of the domestic car market was 6.6 per cent in 1975, the contract with Iran – 60,000 Avengers in 'kit' form – accounted for 71 per cent of its production in 1975.³⁰ If Chrysler withdrew, the potential losses of £150 million³¹ from the Iran contract and increased foreign imports of cars from Japan would have had an impact on the already high deficit on the balance of payments. As the Iran contract was with the Chrysler Corporation, the parent company was in a

²⁸ Central Policy Review Staff, *The Future of the British Car Industry*, (London: HMSO, 1975).

²⁹ Tessa Blackstone & William Plowden, *Inside the Think Tank: Advising the Cabinet, 1971-1983*, (London: Mandarin, 1990), p. 137.

³⁰ Wilks, *Industrial Policy and the Motor Industry*, p. 119.

³¹ CPRS, *Future of the British Car Industry*, p. 48.

position to exert a certain degree of leverage on the Government.³² Closure would also have had a noticeable effect on rising unemployment with the addition of the 25,000 Chrysler workforce made redundant and subsequent redundancies in the supply and distribution industries amounting to an estimated total of 55,000 unemployed.³³

Closure meant 7,000 of those redundancies would have been at the Linwood plant and coincided, with not only a surge in support for the Scottish National Party, but the formation of the Scottish Labour Party by two Labour MPs, Sillars and Robertson; in opposition to the Government's White Paper, *Our Changing Democracy: Devolution to Scotland and Wales*, published on the 27th November 1975.³⁴ Crucially, formal production of North Sea oil had started on the 3rd November 1975 so nationalism was gathering momentum following the 'It's Scotland's Oil' campaign by the SNP prior to the general election in October 1974. As noted at the time by the economist Gavin McCrone, the income from North Sea oil could sustain an independent Scotland with a balance of payments that would enable its economy to, 'break out of the 'stop-go' cycle and plan a sustained rate of growth'.³⁵ Written in 1974 and submitted to the Cabinet on 23rd April 1975, such was the fear of rising Scottish nationalism that the document remained secret under successive governments until February 2006, but for the DTI it did ratify the revenue expectations for North Sea Oil. The political security enjoyed by the Labour Party in the central belt of Scotland was destabilised by the threat of constitutional change, and could have intensified with the closure of the Linwood plant in an area heavily affected by industrial decline. The Scottish Secretary Willie Ross and Secretary of State for Industry, Eric Varley formed part of a political lobby that urged political intervention to prevent the withdrawal of Chrysler operations in the UK.

At the time of the negotiations between the Government and Chrysler, a joint union delegation of shop stewards and staff representatives produced a document, *Chrysler's Crisis: The Worker's Answer* [sic] that was submitted to the Government,

³² *Hansard*, HC Deb, Vol. 905, Col. 1133-204, 17th February 1976.

³³ Evidence from the Department of Employment, Trade and Industry Subcommittee (TISC), (1976), Minutes of Evidence 1975-76, (HC 104), in Wilks, *Industrial Policy and the Motor Industry*, p. 157.

³⁴ Wilks, *Industrial Policy and the Motor Industry*, p. 160.

³⁵ Professor Gavin McCrone, 'The Economics of Nationalism Re-examined' Report, (1974), p. 11. www.scotlandoffice.gov.uk/freedom-of-information/release Date accessed 27/06/08.

in which they detailed the problems with Chrysler UK and outlined a three-stage rescue operation. The document accepted that there was over-capacity in the UK car industry and related it to over-production of cars in the same range, based on the same narrow criteria. The shop stewards offered a solution to this over-capacity and suggested it could be used to build commercial and specialised vehicles such as buses, off-road vehicles, tractors, heavy vehicles and the like that would be of benefit especially in the 'Third World'. Suggestions were made, for example, to transfer some of the production at British Leyland, of Land Rover type vehicles for which there was a long export waiting list, to the Ryton paint shop, although this would require adapting the paint shop from the electrostatic technique to paint on aluminium. With foresight, the shop stewards noted the importance of ecological and environmental considerations and urged the company to concentrate on the development of new vehicles. However, the following introduction in the document gives an idea of the workers' perception of their role in planning for the future of the company:

Discussions and decisions about the future of Chrysler (UK) have been taking place behind closed doors. Those most directly affected (the workers, their families and their shop stewards) have been shut out from even meeting Riccardo ----- in spite of the company's blaze of publicity about more "worker participation" as recently as May of this year.³⁶

This was a document based on considered feasibility using information gathered from the various branch plants and showed commitment to the long-term future of the company. Yet as noted, during the process of negotiations in the winter of 1975 union officials were not invited to participate in talks or offer solutions until a rescue package had been agreed between Chrysler and Government.³⁷

The unions were simply asked to agree to the principles of the Rescue Plan so were essentially issued with an ultimatum rather than afforded involvement in any form of negotiation. The main worry for the Government was the reaction of the workforce to the agreed redundancies identified in the plan. Employees were left to speculate the future of their jobs. In December 1975, Linwood workers were without a start date

³⁶ MRC, MSS.315/C/4/3, 'Chrysler's Crisis: The Worker's Answer', 8th December 1975.

³⁷ PCL, Folder 692.2222, REN 27, PC 669, OS, Linwood Car Plant, Vol. 1, *Scottish Daily Express*, 27th November 1975.

following the Christmas holidays and rumours of a pullout circulated bolstered by Riccardo's reported statements in the press. Despite the agreement in principle of the EPP, there was no employee participation at such a crucial stage for Chrysler UK either at national or plant level.

On 17th December a Rescue Plan was agreed of £162.5 million in grants, loans and guarantees as well as a strategy for Chrysler UK viability into the 1980s. It included a commitment to meet half the potential losses of £40 million in 1976, £40 million in 1977, £30 million in 1978 and £20 million in 1979, as well as a loan of £55 million to finance capital expenditure on plant and model development. The necessary rationalisation of the car plants was to be at the expense of 9,000 jobs of which 3,000 were to be at Linwood.³⁸ The Rescue Plan was contentious because investment in a company of tenuous long-term viability could not be reconciled with the criteria for assistance in the Government's new White Paper, *Approach to Industrial Strategy*, published on 5th November 1975. With the onset of Planning Agreement negotiations between the Government and Chrysler, Michael Heseltine, at that time MP for Henley, drew attention to the contradiction between rhetoric and reality in the Government's industrial strategy in the following quote from the White Paper:

By and large, profitability and return on capital, measured in financial terms, remain the best prima facie indicator of an industry's or company's efficiency in using resources.

He further noted that under the heading, '*Assessment of Viability*':

An assessment of viability is a matter of facts, figures and commercial judgement in which wider economic and social factors have no part to play.³⁹

Using these criteria Chrysler UK was a weak company and its viability untenable. It is feasible to suggest that the Government anticipated a growth in Chrysler's profitability indicated by the reduction in estimated losses over the four-year period of the Rescue Plan. However, the company's rationalisation plan involved greater focus on assembly rather than the more profitable manufacturing side of the industry in plants such as Ryton where the Alpine was assembled using component parts manufactured by Simca in France and only a third of its capacity. At the time the UK

³⁸ *Hansard*, HC Deb, Vol. 902, Col. 1530-65, 17th December 1975.

³⁹ *Hansard*, HC Deb, Vol. 904, Col. 173-207, 26th January 1976.

was in the depth of a recession and had experienced an unprecedented rise in inflation to 29.6 per cent in August 1975⁴⁰ falling to 25.2 per cent in the December.⁴¹ The Government was relying heavily on North Sea oil to redress the deficit in its Balance of Payments but the full effect of that revenue would not have been felt until the early 1980s, thus it is conceivable that financial assistance of Chrysler UK was political expediency. The motivations for the transactions between the Government and the Chrysler Corporation that produced the Rescue Plan for Chrysler UK may well have been reactive intervention to the convergence of these economic and political events.

Planning Agreement Working Party

A central component of the Rescue Plan was the development of a Planning Agreement with the Government, the formulation of which commenced on January 5th 1976.⁴² Its scope covered company strategy between 1976 and 1979. The broad objectives were to rationalise production in the UK, improve the market share of the company as well as attitudes among the workforce perceived as crucial to improving industrial relations and dealing with productivity and quality. It also included a commitment to consultation with employee representatives on employment levels and productivity. The Government loan of £55 million to finance capital expenditure on plant and model development as well as a £35 million guaranteed bank loan was on condition of a 'Certificate of Progress' that verified the company's collaboration with the workforce in future planning and strategy discussions.⁴³ Government documentation identified the potential benefits of the Planning Agreement in dealing with symptoms labelled as the British disease: attitudes, productivity, quality and industrial relations. It outlined the requirements for 'meaningful consultation' that required of management 'a readiness to disclose to union representation a substantial amount of information of a planning nature'.⁴⁴

⁴⁰ *Hansard*, HC Deb, Vol. 972, Col. 4-6, 22nd October 1979.

⁴¹ *Hansard*, HC Deb, Vol. 902, Col. 1624-6, 18th December 1975.

⁴² MRC, MSS.315/C/1/2/4, 'Chrysler UK Limited Planning Agreement 1976 (Second Draft), As amended at meeting 21.12.76'.

⁴³ MRC, MSS.315/C/4/1, 'Chrysler UK, Building the New Chrysler: The facts about the agreement with the Government, the reasons why it was necessary and what we are going to do next', February 1976.

⁴⁴ MRC, MSS.315/C/1/2/6, 'Implementing a Planning Agreement, A note for discussion prepared by Department of Industry Officials', 1976.

The formulation of the Planning Agreement Working Party (hereafter PAWP), suggests that Chrysler management had adopted a pluralistic approach to its interactions with the shop floor. The PAWP comprised four sub-committees that negotiated on a national level: Sales and Product, Sourcing and Manufacturing Facilities, Finance, Employment and Productivity. On each sub-committee there were three senior management figures representing centralised management at Whitley and four employee representatives, albeit union representatives from the branches. Following consultations at sub-committee level a report was produced for the PAWP as a whole to discuss the recommendations or resolve arising dilemmas. The four sub-committees focused on a different set of issues and in the constitution of the PAWP the company stipulated a specific objective for each committee as detailed below:

1. Sales and Product – To devise a product timing chart and sales and export forecasts.
2. Sourcing and manufacturing – To produce capital plans, relative to sources, facilities and transport, for each plant.
3. Employment and Productivity – To issue plans for manning levels, training programmes and a ‘code of practice’.
4. Finance – To develop a programme of capital investment including projected sales revenue, overheads and tax.⁴⁵

Whereas previous plant-based joint consultation had tended to focus on operational management issues, this brief outline on the scope of each committee suggests that the areas for discussion between employee representatives and management were comprehensive and include managerial relations as defined by Fox. For the workers access to planning information and influence on the decision-making commercial strategies of Chrysler UK marked a significant development in the company’s industrial relations strategy.

Prior to the PAWP the great uncertainty about the future of Chrysler operations in the UK was exacerbated by limited communication between management and shop floor on strategy and long-term planning. The inclusion of union representatives on the

⁴⁵ MRC, MSS.315/C/1/2/1, ‘Planning Agreement Working Party, Constitution and Terms of Reference of Sub-Committees’, 20th May 1976.

working party suggests a major shift in the interactions between management and workforce at the Linwood plant. The nature of participation was discussed on establishment of the PAWP. An information booklet distributed to employees use terms such as ‘New Chrysler’ and ‘new attitudes’ and emphasised a change in the industrial relations strategy of the company. Involving employee representatives in planning decisions necessitated ‘taking into account not only the interests of all sides but using the information and ideas of all of them too’.⁴⁶ Yet, at the third meeting of the PAWP in June 1976 the employee representatives criticised the format of sub-committee meetings which they described as question and answer sessions. Within the terms of the PAWP constitution the company did provide information however; the representatives stated this was essentially little more than ‘reiteration of the Government plan with which they are already familiar.’⁴⁷ The contention arose because although Chrysler management adhered to the aim of the PAWP, to facilitate ‘a real exchange of ideas and proposals’ to ensure government endorsement of the Planning Agreement⁴⁸, the role of the employee representatives in the decision process was to sanction ‘plans presented by Chrysler as a fait accompli.’⁴⁹ Chrysler management attributed the problem in its interaction with the employee representatives as being unused to this new concept in industrial relations and the inadequate briefing of management representatives involved.

Notably, a caveat in the PAWP constitution on sub-committee procedures prohibited the employee representatives involved in the working party from discussion on the content of the meetings with the workforce. Instead the agreed procedure was to produce a bulletin after each meeting containing information cleared for release to the workforce.⁵⁰ In addition there was no provision for formal arrangements on the PAWP for employee representatives to discuss shop floor input to the Planning

⁴⁶ MRC, MSS.315/C/1/2/5, ‘Facts about the Planning Agreement, Building the New Chrysler’, March 1977, Number 3.

⁴⁷ MRC, MSS.315/C/1/2/1, ‘DRAFT, Minutes of the Third Meeting of the Planning Agreement Working Part held in the Industrial Relations Conference Room, Whitley – on Wednesday, 16th June 1976 at 14.30 Hours’.

⁴⁸ MRC, MSS.315/C/1/2/1, ‘DRAFT, Minutes of the Third Meeting of the Planning Agreement Working Part held in the Industrial Relations Conference Room, Whitley – on Wednesday, 16th June 1976 at 14.30 Hours’.

⁴⁹ MRC, MSS.315/C/1/2/1, ‘Planning Agreement Working Party’, Newsletter, 1st July 1976.

⁵⁰ MRC, MSS.315/C/1/2/1, ‘Inter Company Correspondence, Planning Agreement Working Party, Agenda’, 11th June 1976.

Agreement.⁵¹ As minutes of meetings could not be circulated on the shop floor, nor the proceedings discussed, this not only compromised the position of the employee representatives as shop stewards, the selective areas of consultation on the sub-committees presented the potential for a conflict of interest for the employee representatives. The role of employee representatives on the PAWP was ambiguous because their contribution to future planning and strategy was impeded by the restrictions on seeking suggestions from the employees they represented in their roles as convenors and stewards.

After 11 months of consultation the first Planning Agreement was signed on the 8th March 1977 between Managing Director, George Lacy and Secretary of State for Industry, Eric Varley.⁵² Following the signing the company moved its Arrow car production to its subsidiary in Dublin without consultation with the UK workforce. The employee representatives were only able to comment on this strategy after the company had made the decision. Similarly, the company announced that, following the launch of the Avenger in mid-1976, the introduction of another new model scheduled for production at Linwood would potentially have a 'disruptive effect' on continuity of production and so decided that it should be manufactured at Ryton. The U-turn on this planning issue meant that the reduction in models produced at Linwood, in preparation for the new model, continued as planned but without any contingency to maintain the level of work at the Linwood plant. The company advised that a second new car would be introduced in the 1980s but did not provide the employee representatives on the PAWP with any information on the timing of the introduction or type of car.⁵³ It is clear from the minutes of the January meeting in 1978 that the employee representatives on the PAWP were not included in any consultation procedure regarding this planning arrangement but were instead informed of the changes once the decisions had been made.

The response of the union Chairman, John Carty, was disappointment in the communication of this issue and accused the company of 'deviating' from the

⁵¹ MRC, MSS.315/C/1/2/1, 'Inter Company Correspondence, Planning Agreement Working Party, Agenda', 3rd August 1976.

⁵² MRC, MSS.315/C/1/2/5, 'Briefing: Immediate, First Planning Agreement Signed, 8th March 1977'.

⁵³ MRC, MSS.315/C/1/2/6, 'Minutes of the Planning Agreement Working Party Meeting held in the Industrial Relations Conference Room Whitley on Wednesday 18th January 1978 at 11.00 Hours'.

Planning Agreement. Management's response was that the shift was 'merely a change to the basic manufacturing source'.⁵⁴ However, this decision impacted on the overall number of models being produced at Linwood as detailed in the Planning Agreement, therefore the U-turn had implications for the long-term viability of the plant. These actions highlight that the rhetoric of consultation could not counter the prevalence of unitary attitudes amidst Chrysler management. Decisions made by Chrysler UK management were introduced with disregard for the conditions of the Planning Agreement. It is feasible that Chrysler avoided consultation with the employee representatives in the knowledge that the response of the workers they represented on circulation of the decision would ensure this was pre-empted and met with firm resistance. The failure to discuss and negotiate joint decisions obviated the role of employee representatives in decision-making at the plant.

By 1978 both management and workforce attributed improvements in industrial relations, including an 80 per cent reduction in lost hours, to the planning agreements that the company had approved in consultation with the unions and government:

The planning agreements have contributed to the incredible drop in stoppages...this type of dialogue has in my view engendered a better relationship.⁵⁵ (Peter Griffiths, Deputy Managing Director Chrysler UK)

Similarly the AEUW Convenor at Linwood, stated:

I certainly think the planning agreements are contributing...giving trade union people a better understanding about what Chrysler is trying to do.⁵⁶

Given the apparent lack of communication in the branch plant in the early 1970s, the PAWP may appear as having been a radical change in company communications with the workforce and by association industrial relations. Aside from the publicity and the many bulletins informing the workforce on aspects of the planning agreement, the minutes of the meetings reveal a different picture of the Planning Agreement in

⁵⁴ MRC, MSS.315/C/1/2/6, 'Minutes of the Planning Agreement Working Party Meeting held in the Industrial Relations Conference Room Whitley on Wednesday 18th January 1978 at 11.00 Hours'.

⁵⁵ ML, Linwood Box 2, Tom Lester, 'The Crunch at Chrysler', *Management Today* (June 1978), p. 61.

⁵⁶ ML, Linwood Box 2, Tom Lester, 'The Crunch at Chrysler', *Management Today* (June 1978), p. 61.

practice. The company was seen to be promoting structures of consultation and improved communication between the workforce and management but this was selective.

Although many aspects of the EPP outlined above were never implemented, the aim had been to introduce participation throughout all levels of the workforce, which included plans for conferences and briefing meetings at the plants carried out by the Managing Director, as well as quarterly company bulletins and improving communications. But Management documentation relating to its strategy of 'Participative Management' points to the inability of management to fully endorse organisational pluralism in the plant and contributes to an understanding of the inadequacies in the Planning Agreement.⁵⁷ In a company document containing speeches from a Linwood Branch-Plant Communication Meeting held at Linwood, on 27th February 1976, the Chrysler UK Industrial Relations Manager P. Griffiths acknowledged that the new style of management may be difficult:

Some of you, perhaps, will find participative management difficult to understand and harder still in practice to accommodate.⁵⁸

By implication this acknowledges that the new style of management required a distinct change in attitudes and practice. However, closer inspection of the company documentation from the Communication Meeting points to the apparent contradiction and difficulties in the company's participation strategy.

Management perceived communication and consultation to be at the centre of this new style of 'Participative Management', in particular direct communication with all levels of the workforce. The slides used in the communication meeting compare the old and new styles of management at the plant. For instance:

Before:

Management decision understood – Questioned – perhaps disobeyed.

⁵⁷ US, Linwood Box 7, '1976: Communication Meeting, Linwood Friday 27th February 1976'.

⁵⁸ US, Linwood Box 7, '1976: Communication Meeting, Linwood Friday 27th February 1976', p. 12.

Employee uninformed or wrongly informed of management objectives.
Conflict follows.

After:

Decision discussed – questions answered – Joint agreement sought.
Employees informed of facts and objectives.
Less chance of conflict.⁵⁹

These slides adhere to a strongly unitary system of industrial relations where conflict is attributed to misunderstandings of the company aim and poor communication. The aim of communication strategies was not therefore, to facilitate greater employee involvement in decision-making but rather, if channels of communication were improved this would ensure a compliant workforce. There is little recognition of the divergent interests of labour and capital within this viewpoint; little accommodation for challenges to the decisions of management. Chrysler's aims in 'Participative Management' are evidenced in one of the earliest slides entitled 'Participation, A New Basis for Managerial Authority'. This slide is further useful when considering the motivations of Chrysler UK management in exploring various participation strategies. In particular three statements stand out:

The balance of power has changed away from established authority to organized labour.

A Company consists of groups with conflicting aims, common objectives difficult, sometimes impossible, to establish.

But a congruence of purpose must be established - if continuing conflict is to cease.⁶⁰

⁵⁹ US, Linwood Box 7, '1976: Communication Meeting, Linwood Friday 27th February 1976', Slide 3(c).

⁶⁰ US, Linwood Box 7, '1976: Communication Meeting, Linwood Friday 27th February 1976', Slide 2.

From this slide a complex yet somewhat contradictory picture emerges. First of all, the motivations of management are clearly identifiable as relating to a loss of managerial authority. On one level this saw management turn to a pluralist participation agenda in order to ensure continuity of production and to meet productivity targets. Management appeared to acknowledge the differing interest groups within the firm. However, on another level, implicit in this slide is the notion that the different interests groups can have a common goal. The aim was for the company to work towards a common goal to end conflict. The evidence from this slide points to a participation strategy whereby management could work to reassert control in the plant and in no way balance the authority of labour and capital in decision-making.

In June 1978, two years after the introduction of the Planning Agreement Peter Griffiths, then Managing Director of Chrysler UK, indicated that the input to the PAWP meetings was heavily weighted towards management and issued the prophetic fallacy: ‘99% comes from the management side “but it will improve”.’⁶¹ There was little time for improvements; in May 1978 the Chrysler Corporation had already begun formal negotiations on the sale of its European operations with the French company PSA Peugeot Citroen. The company omitted to consult the workforce at every level, and indeed the government, upon the takeover on 10th August 1978.⁶² The omission of major decisions from PAWP negotiations points to a lack of genuine commitment by the Chrysler management to consultation and participation.

Within source material related to the PAWP, there are continual references to management and employee representatives working together and of consultation, however there is a significant distinction between involvement and influence. Despite advocating a commitment to employee ‘participation’ in the planning process there is limited evidence to suggest the Planning Agreement actually provided anything more than company information – albeit the employee representatives received it first-hand. The rhetoric of ‘participation’ by Chrysler management on the PAWP was use to placate the employee representatives long enough to satisfy the government’s conditions of the Rescue Plan: investment on evidence of joint consultation.

⁶¹ ML, Linwood Box 2, Tom Lester, ‘The Crunch at Chrysler’, *Management Today* (June 1978), p. 61.

⁶² ML, Linwood Box 10, Item 892723C, Transport and General Workers Union, ‘Chrysler – Peugeot Citroen Merger’.

Conclusion: Coalition of Interests

The focus in this paper has been the interactions between Chrysler management and workforce at the Linwood car plant and significance in company's transactions with the Labour government in the 1970s. Under the threat of Chrysler's withdrawal from the UK and political intervention in the form of a rescue-package, management's enthusiasm for participatory democracy in the car plant was espoused in the rhetoric of consultation and collaboration. Attention was drawn to initiatives such as the EEP and PAWP that were introduced by Chrysler to reconcile organisational pluralism with unitary policies by giving the worker a 'voice' within the plant, promoting the sense of collaboration and encourage a willingness to increased commitment to productivity. For the workforce they provided a mechanism to gain greater control of their working environment. While the EEP was never fully implemented some elements were put into practice at the level of the branch-plant and sold to the workforce as a 'new start' for Chrysler brought about by a shift in management style. By implication this acknowledges that the new style of management required a distinct change in attitudes and practices however, company documentation reveal the apparent contradictions in the company's participation strategy.

Such schemes were transitory in nature and a means by which management contained the power of labour rather than being a demonstration of a sustained commitment to worker influence in decision-making.⁶³ The inclusion of union leaders, many considered to be militant by the company, functioned to manipulate the power relations between management and workforce to persuade employees that there was equity in the interactions between the two groups, motivating workforce compliance in managerial decisions. These processes of consultation and decision-making occurred within the context of unequal power relations and as such sustained the asymmetry of influence between management and employee representatives contribution to decision-making strategies at the Linwood plant. The union representatives were rendered impotent on the PAWP by their resigned compliance in

⁶³ Ramsay, 'Cycles of Control', pp. 481-506.

a consultation process of involvement without influence. Information asymmetries persisted as the PAWP facilitated the flow of information from the shop floor to senior management, with little or no consideration of the worker's 'voice', and used to enforce the best conditions for the company's profitability. Despite democratic rhetoric, employee involvement schemes and participatory management functioned within the structural control of management and did little to disturb the hierarchal structure of power relations, thereby retaining the status quo in Chrysler UK branch plants. It was a dialectic process where transactions between management and workforce appeared as tokenism. Consequently, there were no significant changes in company policies to accommodate worker or government demands for greater participation.⁶⁴

As for the role of the UK Government in the Linwood branch plant, the potential deficit in the balance of payments; surge in Scottish nationalism and lost North Sea oil revenue if it gathered momentum; as well the political consequences for the Labour Party of 55,000 redundancies, prompted reactive political interventionism to the threat of the Chrysler Corporation's withdrawal of its UK subsidiary in 1975. As Tony Benn contended, the Government confused company viability with national viability.⁶⁵

The transactions and interactions at the Linwood car plant during Chrysler's ownership were underpinned by a coalition of interests driven by: government reactive political expediency, workforce pursuit of increased control of the shop floor and Chrysler's strategic political management to secure financial assistance from the Government in the mid- 1970s.

⁶⁴ Wilks, *Industrial Policy and the Motor Industry*, p. 202.

⁶⁵ Tony Benn, *Against the Tide, Diaries 1973-76*, (London: Hutchinson, 1989), p. 467.

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