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‘Transactions, Interaction and Inaction: Industrial Democracy in the UK in the 1970s’

Summary

Workers’ participation in the management of business in the United Kingdom was arguably narrower and shallower than in a number of other European industrial economies in the twentieth century. In the UK it was largely confined to ‘market relations’, or the terms under which labour was employed, and only in a limited way extended to ‘managerial relations’, or how labour was utilised in the organisation of production. The constraints on workers’ participation in the UK are vividly illustrated by the developments in the 1970s – the transactions, interaction and inaction – that this paper explores, using business, trade union and government archives, printed government, business and trade union publications, and perspectives from social science and historical literature.

Historically various forces had combined in the UK to limit joint industrial consultation to wages and conditions of work, with little scope for workers’ participation in the broader planning of production, investment or business development. But in the 1970s the position appeared open to reconstruction. This was chiefly the consequence of important transactions in the context of closer European business, economic and political integration, and the growth of industrial concentration. This context included dialogue between UK and other Western European trade unions, with the existence and discussion of participation models, especially from the Federal Republic of Germany, that industrial democrats in the UK

sought to emulate and develop. This dialogue was stimulated by the progressively remote nature of decision making, especially in trans-national and multinational firms, and derived additional impetus in the UK from the conjunction of economic slowdown, relative trade union strength, and the election in 1974 of a Labour government with a manifesto commitment to industrial democracy legislation. But even in these propitious circumstances industrial democracy was constrained. The subsequent inaction – with the Labour government diluting then essentially abandoning industrial democracy proposals – was chiefly the result of business opposition. This, expressed in vigorous interaction with government and trade union representatives, essentially involved variations on the twin themes of 'the right of management to manage' and the supposed inability of workers' representatives to take strategic managerial decisions, especially although not only where these potentially might have an adverse effect on employees. This interaction duly highlights two related structural forces that shaped the distinctive UK position on workers' participation: the character of social class relations, which encouraged adversarial and 'low trust' industrial relations; and the 'Anglo-Saxon' capitalist model, which shaped corporate life, and constrained the cultivation of partnerships between employers and employees.

The Research Issue: Employee Involvement and Industrial Democracy

Employee involvement in decision making is an ambiguous and malleable subject. Management and industrial relations literature conveys this ambiguity and malleability in terms of the range of perspectives offered on the subject's purpose and character. In the 1970s and 1980s industrial relations scholars tended to debate the extent to which employee involvement was 'incorporative' or 'distributive', a management device for legitimising inequalities of power in the workplace and decisions – like redundancies or relocation of operations – that were not in the interests of workers, or a genuine means of enhancing employees' influence over their working environment and narrowing the structural inequalities of capitalism.[1] In the 1990s and since the debate has retained this dichotomous flavour,[2] but with some management scholars, especially those interested in Human Resource Management (HRM), upbeat about the potential benefits of employee involvement to the organisation as well as employees, notably where changes in working practices, technology or product are being introduced.[3] The type of involvement, of course, is important: anything short of 'influence', one pair of critical management scholars write, is 'phantom' and can demoralise employees and damage the organisation.[4] The continued ambiguity of employee involvement is neatly defined in a recent HRM textbook, where the authors note that when managers talk about 'participation' they tend to be thinking about 'consultation', perhaps over a decision already taken, while employees and especially trade union representatives usually interpret an offer of 'consultation' as 'participation', possibly in a decision still to be made.[5]

Such ambiguity can be mitigated, however, by tightening the definition of employee involvement and examining its application in specific historical and business settings. Definition can be improved by reflecting on the relative importance of decisions that can be subject to employee involvement. A valuable concept here the 'intensity' of involvement, which is the level of importance of the decision being taken multiplied by the location and influence of participation in the process of the decision being made. This can help to understand the qualitative difference between a system of involvement that allows employees to influence higher order matters such as investment in new plant or physical location of operations, and a system that confines them to shaping only lower order matters, such as shift patterns or rest

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[1] Crouch, *Industrial Relations*, 107-9.
[2] Legge, *Human Resource Management*, *passim*.
[3] Boxall and Purcell, *Strategy*, 142-70.
[4] Blyton and Turnbull, *Employee Relations*, 254-60.
[5] Bratton and Gold, *Human Resource Management*, 451-2.

breaks.[6] Evidence across the course of the twentieth century suggests low intensity involvement in the UK, in the sense of employees not participating in the construction of important strategic decisions to the same extent as employees in other European countries, notably Germany, Denmark, Sweden and Norway. This has sometimes been related to the particularly adversarial and 'low trust' pattern of industrial relations in the UK, which has inhibited the development of the type of settled partnerships, involving an emphasis on resource-building rather than cost-controlling, that are seen as the prerequisite of meaningful employee involvement.[7]

This paper seeks to develop understanding of the particular approach to employee involvement in the UK, and so contribute to the larger European and international narrative of the subject, by focusing on the importance of the socially-embedded nature of business activity in the particular historical setting of the industrial democracy episode of the 1970s. The larger international story of the 1970s in this context is the attempt to secure closer integration across the European Economic Community (EEC) of employment relations and participation rules. This was inspired by the model developed in the Bundesrepublik Deutschland (BRD), from origins in the 1919-33 Weimar Republic,[8] and involving from 1951 joint trade union representation on supervisory boards in the *Montanindustrie* – coal, iron and steel – and then from 1976 a moderated form of supervisory board joint representation across all sectors in firms with more than 2,000 employees. Board level employee representation was supported by the plant level *Betriebsrat*, or Works' Council. The association between economic performance and employee involvement, given the post-1945 German *Wirtschaftswunder*, was emphasised by advocates of EEC-wide provision, along with the allegedly desirable provision of equitable cross-frontier market and trading conditions, encompassing employee relations and participation rules. This reflected the importance of ideas about the

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6 Knudsen, *Employee Participation*, 8-13.
7 Beaumont, *Future of Employment Relations*, 38-40, 98-101.
8 Dukes, 'Origins of the German System'.

'European firm', capable of operating smoothly across frontiers within the EEC, with a two-tier board system envisaged in 1972, involving at least one-third of the members of BRD-style supervisory boards being appointed by employees. These proposals foundered on the 'persistence of national institutions',[9] including the particular opposition of UK business leaders, who viewed the 'European firm' concept with initial enthusiasm until its board-level employee involvement elements became clear.[10]

The emphasis in the remainder of this paper is less on institutions and formal legislation in the UK, however, although these were important, and more on the ideological basis of business opposition to the 1974-elected Labour government's industrial democracy proposals. This business opposition was based in essence on management's insistence on its right to manage as freely as possible without exogenous intervention, whether by state regulation or employee or trade union intervention. Clearer sense of the ideology of managerial prerogative in the UK can be derived from the 1966 work of Alan Fox, *Industrial Sociology and Industrial Relations*,[11] one of eleven research papers published by the 1965-8 Royal Commission on Trade Unions and Employers' Organisations. Fox argued that perceptions of industrial relations were shaped by the frame of reference adopted. Most employers and managers – along with journalists and politicians – saw industrial organisations in unitary terms, with its members bound by common values and goals. Fox observed that employers' participation in the institutions and practices of collective bargaining was compatible with this unitary approach by making a significant distinction: between 'market relations', the 'terms and conditions on which labour is hired', and 'managerial relations', 'what management seeks to do with its labour having hired it'. While employers in many economic sectors accepted the legitimacy of settling market relations collectively rather than individually, they still

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[9] Knudsen, *Employee Participation*, 31-47, 111-23.
[10] Rollings, *British Business.*
[11] Fox, *Industrial Sociology*.

resisted trade union influence in managerial relations.[12] Fox's ideas were resisted by business leaders, although only in ways that tended to reinforce the apparent accuracy of his emphasis on the ideological nature of their opposition to sharing managerial responsibilities with their employees.[13] Certainly his distinction between market and managerial relations helps to mark understanding of the boundary between collective bargaining, which encompassed the majority of industrial employers in the UK in the 1970s, particularly in large firms, and employee involvement through enhanced industrial democracy, which majority business opinion, including major manufacturing firms such as ICI, Shell UK, Unilever and United Biscuits, strongly resisted.[14] Collective bargaining in the UK essentially covered market relations, while employee involvement can broadly be mapped to managerial relations. It was this potential incursion by employees on decisions relating to the management of labour and production processes that UK businesses had resisted historically, and continued to oppose in the 1970s.

Evidence and Analysis

The evidence and analysis that follows is drawn chiefly from UK central government files on the Bullock Report on Industrial Democracy, published in January 1977. These reveal the character and extent of business opposition to the radical extension of employee involvement, especially where this involved joint representation of

[12] Fox, *Industrial Sociology*, 6-7.
[13] Phillips, 'Industrial Relations', 215-20.
[14] The National Archives: Public Record Office, Kew (hereafter TNA: PRO), PREM 16/1321, Letter signed by Sir Arthur Knight, Courtaulds Limited; Sir Rowland Wright, ICI Limited; Peter Baxendell, Shell UK Limited; Brian Kellett, Tube Investments Limited; Hector Laing, United Biscuits Limited; David Orr, Unilever Limited; 'Chairmen of some of the country's largest companies, which include some of its most successful earners of foreign exchange', to the Prime Minister, James Callaghan, 31 January 1977.

workers – through trade unions – on the boards of companies with 2,000 or more employees.

The Bullock Report reflected various structural pressures for the extension of industrial democracy that had been emerging in the 1970s. Some of these were institutional and international, such as the UK's EEC membership and the European Commission's 1972 proposals on employee participation and company structure, but others, set out in the Bullock Report itself, were economic and social in dimension and arguably of greater importance.[15] In economics there were several related drivers: industrial concentration and the rise of 'remote' decision making; what would now be called the importance, in an increasingly competitive international market environment, of 'change management';[16] and Britain's relative industrial decline, with industrial democracy seen as a potential lever – as in the BRD – to improved industrial performance. Social changes arose from educational developments, rising living standards and expectations, and the slow diffusion of what has been termed the post-1945 'redistribution of esteem' in favour of manual workers.[17] In education in the 1950s and especially, perhaps, the 1960s, there was a new emphasis on critical inquiry, with the cultivation of 'an independent and questioning approach'.[18] This contributed to the eclipse of social deference, which was as evident in the work place as in other social realms, and encouraged, of course, by the labour market conditions – high and stable employment levels until the early 1970s – that neutralised unemployment as a core instrument of work place discipline.[19] The outcome was a 'qualitative' shift in industrial politics in the UK, with the phenomena of work-ins, worker co-operatives and 'Alternative Corporative Plans',[20] stimulated by the accretion of labour power, industrial concentration, productivity worries and 'drives'

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[15] Cmnd. 6706, 20-2.
[16] Boxall and Purcell, *Strategy*, 142-70.
[17] McKibbin, *Classes and Cultures*, 161.
[18] Cmnd. 6706, 22.
[19] Knox, 'Class, Work and Trade Unionism', 114.
[20] Gold, 'Worker Mobilization'.

and inflation, and contributing significantly to a growth of shop floor interest in industrial democracy and worker directors on company boards. There was now a very strong trade union rationale for enhanced industrial democracy, seen as a means of providing workers and their labour representatives with influence over a variety of important issues at company level that were beyond the scope of collective bargaining, either at national (peak level) or local (plant) level.[21] This helped to erode trade union resistance to the extension of industrial democracy, although not entirely, with a stand of labour opinion still suspecting the 'integrative' tendencies of participation and clinging to the certainties of undiluted and confrontational collective bargaining.[22]

In the UK a Labour government was elected in 1974, very much in the context of this shift in industrial politics. The outgoing Conservative government's quest for stability in industrial relations and counter-inflationary economic management had been undone by major disputes in coal mining, the docks, construction and engineering. These involved a variety of different issues and triggers, but commonly reflected a shift of influence within labour organisations from officials to members, who compelled their sometimes reluctant leaders to adopt more expansive demands in market relations, with miners, for example, securing significantly above-inflation pay increases,[23] and in managerial relations, with dock labourers seeking greater influence in the regulation of the containerised traffic that threatened their livelihood.[24] In opposition the Labour Party had agreed a 'Social Contract' with the Trades Union Congress (TUC), the peak level labour organisation to which all major public sector, general, industrial and craft unions were affiliated. The central elements of this were a social wage, with subsidised food, fuel and housing prices to

[21] Gold, 'Worker Directors', 30-6, 46.
[22] Crouch, *Industrial Relations*, 107-9
[23] Phillips, 'The 1972 Miners' Strike'.
[24] Lindop, 'Dockers and the 1971 Industrial Relations Act'.

narrow the scope for inflationary cash wage rises, and legislative changes to industrial relations, including measures to advance industrial democracy.[25]

TUC leaders were duly disappointed when the new government took no immediate legislative initiative. A Private Members' Bill was forwarded in the House of Commons in 1975 by Giles Radice, Labour MP for Chester-le-Street in north-east England, since 1973, and before that a research officer for the General and Municipal Workers' Union (GMWU). The bill was drafted by David Lea, Secretary of the TUC's Economic Department, and Bill Wedderburn, Law Professor at the London School of Economics, and modelled on the TUC's advocacy of 50 per cent worker representation on the board of large companies, which was being championed with particular vigour by Jack Jones, leader of the Transport and General Workers' Union (TGWU), the TUC's largest affiliate, with a membership exceeding two million by September 1977.[26] The government's inaction reflected its substantial internal divisions on the question of industrial democracy. One strand of opinion, adopted from the left and in terms of solidarity with the TUC, was for immediate legislation in line with the Radice Bill. A second strand, developed from the social democratic right and in more or less explicit sympathy with the interests of business, opposed legislation and recommended an external, independent inquiry into the subject.[27] The TUC leadership correctly forecast that such an inquiry would leave the issue 'unresolved', and certainly reduce the likelihood that the form of industrial democracy eventually arrived at by the government would resemble the Labour Party's 1974 manifesto commitment to joint board representation of union members.[28]

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[25] Crouch, *Industrial Relations*, 108.
[26] Jones, *Union Man,* 312-14, 329.
[27] TNA: PRO, PREM 16/506, David Brown, Private Secretary to Industry Secretary, Tony Benn, to A.C. Hutton, Private Secretary to Trade Secretary, Peter Shore, 25 April 1975, and Transport Secretary, Fred Mulley, to Peter Shore, 9 May 1975; CAB 128, Cabinet Conclusions, 15 May and 19 June 1975.
[28] TNA: PRO, PREM 16/506, Note for the Record. Industrial Democracy. Prime Minister's talks with Len Murray, Jack Jones, David Lea, the Employment and Trade Secretaries, 12 May 1975.

Harold Wilson, the Prime Minister until his retirement and succession by James Callaghan in March 1976, steered something of a compromise between these competing strands. The appointment of the committee of inquiry, chaired by Alan Bullock, Master of St. Catharine's College, Oxford, historian and biographer of Ernest Bevin, the totemic mid-twentieth century Labour leader,[29] disappointed the TUC and its supporters in government. But the emergent social democratic and business-sympathising figures were displeased by the inquiry's terms of reference. These emphasised the 'essential role' of trade unionism in the process of extending industrial democracy through the participation of employee representatives on boards of directors. Representatives of the peak level employers' organisation, the Confederation of British Industry (CBI), had characterised this in dialogue with government ministers as conceding too much ground to the TUC, with the Trade Secretary, Peter Shore, sympathetically noting that provision had also to be made for the representation in employee involvement initiatives of the 12 million non-union workers.[30]

The position of trade union and non-trade union employee representatives, and the intensity of employee involvement were central points of division within the Bullock committee. This comprised Jack Jones as well as David Lea and David Wedderburn, along with Clive Jenkins, General Secretary of the Association of Scientific, Technical and Managerial Staffs, Professor George Bain, Director of the Social Science Research Council Industrial Relations Unit at the University of Warwick, Sir Jack Callard, who moved from the chairmanship of ICI to British Home Stores in the course of the investigation, N.P. Biggs, Chairman of Williams and Glyn's Bank and former Chairman and Chief Executive of Esso, Barrie Heath, Chairman of Guest, Keen and Nettlefolds, and John Methven, Director of Fair Trading, who resigned from the committee in July 1976 having been appointed

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[29] Bullock, *Bevin*, 3 volumes.
[30] TNA: PRO, PREM 16/506, John Hunt to Prime Minister, 14 May 1975; CAB 128, Cabinet Conclusions, 15 May 1975.

Director General of the CBI. In the course of 1976 the committee undertook visits to Sweden and Germany to gather perspectives from government officials, business and union representatives on different national employee involvement systems, and sifted written evidence, including two important academic surveys of European models that Bullock published in June. These emphasised the value of legally-enforceable joint representation on ‘unitary’ rather than second-tier ‘supervisory’ boards of trade unionists, especially in terms of securing the legitimacy of employee involvement among workers.[31] But by this point it was clear that the committee’s business representatives would oppose such conclusions and there could be no unanimous outcome. Bullock advised the new Prime Minister, James Callaghan, of this, noting that ‘the form in which the dissenters express their disagreement will be important’.[32] So it was, with the ‘dissenters’ eventual separate conclusions hardening business opposition to board-level, unionised employee involvement.

Bullock, Jones, Jenkins, Lea, Wedderburn and Bain, signed a majority report that favoured worker directors joining a ‘unitary’ and ‘reconstituted’ board, rather than taking places on supervisory boards within a two-tier structure. This, it was felt, would undermine the advance and effectiveness of industrial democracy by providing a layer of managerial decision-making that was impervious to employee influence. Workers would lose interest in the project as a result.[33] Boards would be reconstituted on a 2X+Y formula, where X was the proxy for an equal number of representatives of employees and shareholders, and Y was a co-opted minor third element, appointed by a majority of the employee and shareholder representatives. The importance of equality of representation between employees and shareholders was emphasised as the prerequisite of the ‘new legitimacy’ needed to secure improved corporate efficiency and profitability. Recent German experience was referred to here, with the shift from one-third to fifty per cent worker representation in

[31] Batstone, ‘Industrial democracy’, 39-43; Davies, ‘European experience’, 82-3.
[32] TNA: PRO, PREM 16/1323, Bullock to Callaghan, 14 June 1976.
[33] Cmnd. 6706, 75-8.

1976: employees, Bullock concluded, could only be expected to assume equal responsibility for corporate success if acquiring equal representation. Meanwhile, Y would be equivalent to an odd number greater than one, and less than one third of the size of the entire board. It would allow for the inclusion of external and expert knowledge or skills, and enable boards to avoid the 'deadlock' that could materialise where the board was split on employee and shareholder lines.[34] The element of voluntarism was emphasised. The system of representation would be confined to firms with 2,000 or more employees, and only become operable after a secret ballot of full-time employees – possibly with a minimum of six months service – had been held. There would be a requirement that a majority of those voting, amounting to at least one-third of those eligible to vote, support worker directors before the reconstitution of the board could take effect.[35] The legitimacy of limiting participation to elected trade union representatives was supported by the observation that union density in private sector manufacturing firms with 2,000 employees or more was around 70 per cent, significantly ahead of the fairly static average across the economy of 45-47 per cent.[36]

The minority report, signed by Callard, Biggs and Heath, Bullock's 'dissenters', consolidated business opposition to the majority conclusions. It claimed that the 'realities' of industrial life – non-union employees, unions attached to collective bargaining but opposed to or uninterested in industrial democracy generally and worker directors in particular – had been ignored by the majority, whose report was allegedly geared to enhancing trade union control and strength. The minority further implied that worker directors would curtail the quality and speed of decision-making, and instead set out a model of participation involving employee representation – encompassing non-union as well as union employees – on

[34] Cmnd. 6706, 95-103, 160-2.
[35] Cmnd. 6706, 112-15.
[36] Cmnd. 6706, 1-15.

supervisory boards. These would advise executive boards that did not include employee representatives.[37]

These competing positions were discussed by the Labour Cabinet on the eve of the majority and minority Bullock reports' joint publication in January 1977. Callaghan had surprised the leftist Energy Secretary, Tony Benn, in an earlier discussion of Bullock in the Cabinet's Economic Strategy Committee in December, noting that the CBI's opposition to industrial democracy might threaten investment, and referring to the grip of 'capitalism' on 'the throats of industry'. This was the first time that Benn had heard Callaghan – a colleague in the Parliamentary Labour Party for some thirty years – speak 'about capitalism as capitalism, using the actual word, and it indicated that perhaps everybody is on the move'.[38] Now, in January 1977, Callaghan said that although industrial democracy was an 'explosive political issue', and emphasised the importance of proceeding carefully to allow industrialists to come to terms with a 'new idea', the government had to make clear that it could not accept the minority business position articulated in the Bullock report, of opposing the central role of trade unions in workforce representation on unified company boards. Callaghan was supported in this discussion from the left, with Benn and others urging a bolder policy still, seeing industrial democracy as central to the government's vital relationship with the trade unions, and the CBI's resistance part of the political opposition to the government, 'grounded in the fear' that board-level unionised employee involvement 'would destroy managerial prerogative'. Concessions or a cautious approach would be futile: business opposition founded on such ideological commitment would persist and had to be challenged rather than persuaded. But the Cabinet as a whole was moved by the scale of business opposition and the situation's apparent political volatility, with dangers of delayed or cancelled industrial investment, including inward investment, and over-rode anxieties about alienating

[37] Cmnd. 6706, 171-77.
[38] Benn, *Against The Tide*, 690-1.

trade unionism's industrial democracy advocates. Edmund Dell, Trade Secretary, secured a reversal of Callaghan's insistence that the Bullock business minority proposals be set aside. Consultations were now to proceed with all interested parties over at least a 15-month period, with the government to express an open-minded interest in all forms of extended employee involvement, including supervisory or two tier boards encompassing union and non-union worker representatives.[39] The commitment to extended and open-minded consultation was emphasised in Parliament by Dell. But the Cabinet left's observations that business and political opposition would only mount was borne out, in Parliament at least, with the Conservative opposition spokesmen on trade and employment savaging the Bullock majority report as 'a mockery of genuine democracy', which threatened 'to set back industrial confidence and industrial investment for years', and criticising in particular the projected role of trade unionists, which would undermine the role of junior and middle managers, who made their way 'on merit' rather than through 'patronage'.[40]

Similar themes were pursued vigorously by business lobbying in subsequent months, which emphasised the allegedly fundamental long-term damage that the Bullock majority proposals would wreak on business performance, with joint union representation constraining decision-making, especially in areas of investment and inward investment. The lobbying included business leaders, notably Barrie Heath, a member of the Bullock committee, using private meetings with the Prime Minister to make fairly specific threats of a breakdown in industrial relations and the economic position of the UK more generally, as extant shop floor conflicts entered board rooms.[41] An equally apocalyptic tone was adopted by Sir Richard Wright, ICI Chairman, who told the Prime Minister that 'his managers' were in a state of 'near

[39] TNA: PRO, CAB 129/194/8. Industrial Democracy. Memorandum by the Secretary of State for Trade, 19 January 1977; CAB 129/194/9. Industrial Democracy. Note by the Prime Minister, 19 January 1977; CAB 128/61/2, Cabinet Conclusions, 20 January 1977.
[40] *Parliamentary Debates,* Commons, Fifth Series, 924, 26 January 1977, 1493-5 (Dell), 1495-6 (John Nott, Conservative spokesman, Trade) and 1510-11 (James Prior, Conservative spokesman, Employment).
[41] TNA: PRO, PREM 16/1326, Meeting with CBI, 9 May 1977.

revolt', such was their antagonism to the Bullock majority proposals.[42] There were perhaps two discernable strands to this business lobbying. The first amounted to complete opposition to industrial democracy's extension through legally enforceable joint representation at board level of unionised employees. This was articulated chiefly by the CBI in direct talks with the Prime Minister two weeks after Bullock's publication. John Methven, who had sat alongside Heath on the Bullock committee until he became the CBI's Director General in July 1976, told Callaghan that parity representation and union 'monopoly' on employee directors were 'not concedable', effectively ruling out any meaningful dialogue on the basis of the Bullock majority conclusions.[43] There was support for this position too from the Institute of Directors. Its Director General, Jan Hildreth, articulated his opposition to worker directors in fairly crude unitary terms, characterising industrial democracy as a 'covert' attempt to extend trade union power, with no useful implications for economic or employee welfare. He asserted that while directors were charged with taking the interests of the firm as a whole, employee directors would assume responsibility only for protecting their narrow and sectional interest. He ridiculed the Bullock majority proposals further by comparing worker directors to Caligula appointing his horse as Consul, and claimed that any board comprising union representatives would hamper executive decision-making, privilege the interests of producers over consumers, and be geared to the 'distribution' but not 'creation' of wealth.[44]

The second strand of business lobbying differed slightly, amounting to a self-styled 'progressive' position. This was outlined initially in a letter to the Prime Minister from the chairmen of six of the UK's largest companies and 'most successful earners of foreign exchange': Courtaulds, ICI, Shell UK, Tube Investments, United Biscuits

[42] TNA: PRO, PREM 16/1321, Meeting in Cabinet Room at 1530 on 23 February 1977 to discuss Industrial Democracy.
[43] TNA: PRO. PREM 16/1321, Meeting with deputation from the CBI in the Prime Minister's room in the House of Commons, 15 February 1977.
[44] *The Times*, 18 September 1976, 27 January 1977 (Caligula comment), and 14 February 1977.

and Unilever. The 'progressive' position was not explicit in its condemnation of extending employee involvement through trade unionised employees, although it predicted grave economic and industrial consequences if the Bullock majority proposals – 'more unrealistic and rigid than anything we could possibly have visualised' – were implemented. In contrast to the CBI's straightforward opposition, however, the 'progressive' lobbyists claimed, in the words of David Orr, Unilever chairman, to have 'something to contribute' to the development of industrial democracy at the level of the firm. Indeed, the Bullock measures were depicted as dangerous partly because they would crowd out a variety of participation schemes that 'progressive' firms and their employees were already developing.[45] Details of the ICI and Unilever schemes were put to the Prime Minister in talks with Orr, Sir Rowland Wright of ICI and Sir Arthur Knight of Courtaulds. At ICI there were works-level consultative committees, sitting under divisional committees and a company committee, chaired by Wright, and at Unilever mechanisms were most advanced in Bird's Eye and Lever Bros, where there were company councils to 'discuss' a variety of questions, including reorganisation, future investment, and plant and line closures or remodelling.[46] These were clearly important initiatives, bringing employees clearly into the sphere of managerial relations, but only, it should be emphasised, at the level of consultation and discussion. Decisions on these matters, in other words, were still taken elsewhere, without the involvement of employees and their representatives. So Orr and Wright were defending what could still be characterised

[45] TNA: PRO, PREM 16/1321, Letter signed by Sir Arthur Knight, Courtaulds Limited; Sir Rowland Wright, ICI Limited; Peter Baxendell, Shell UK Limited; Brian Kellett, Tube Investments Limited; Hector Laing, United Biscuits Limited; David Orr, Unilever Limited; 'Chairmen of some of the country's largest companies, which include some of its most successful earners of foreign exchange', to the Prime Minister, James Callaghan, 31 January 1977. The term 'progressive' to characterise these firms was used by David Orr, in a telephone conversation with the Prime Minister's officials: TNA: PRO, PREM 16/1321, KRS to the Prime Minister, 1 February 1977.

[46] TNA: PRO, PREM 16/1321, Meeting in Cabinet Room at 1530 on 23 February 1977 to discuss Industrial Democracy.

as low intensity models of participation,[47] clearly distinct from the significantly higher intensity model advanced by the Bullock majority.

Other business opponents of the Bullock majority emphasised their competing ‘low intensity’ participation credentials, including Hector Laing, Chairman of the Food and Drink Industries Council, who was also one of the ‘progressive’ six in his other capacity as United Biscuits Chairman, and Sir Marcus Sieff, Chairman of Marks and Spencer.[48] These widespread UK business criticisms of the Bullock majority were reinforced by international business lobbying. In the context of the UK’s reliance on inward investment and external trade, the intervention of US firms and commercial interests was particularly important. The President of the American Chamber of Commerce in the UK protested in writing to the Prime Minister that the Bullock majority proposals would deprive US investors and shareholders of their ‘decisive’ influence in determining whether the proceeds of profits should be returned in dividends or re-invested. Many would place their investments elsewhere as a result.[49] The same perspective, that the Bullock majority illegitimately removed ‘the basic right of shareholders’ was put to the Prime Minister by the head of Exxon Corporation, during talks about the world oil situation in April.[50]

This accumulated weight of business lobbying shaped the ‘inaction’ that resulted, with the UK government delaying, diluting and then abandoning its industrial democracy proposals. At the Cabinet’s Economic Policy committee in May 1977 Dell outlined proposals for a significantly moderated version of Bullock, with worker participation to be established below board level for two years before a gradual transition to a voluntary model, with employee representatives to take one-third of the supervisory board in a two-tier system. This, essentially, was the business position

[47] Knudsen, *Employee Participation*, 8-13.
[48] TNA: PRO, PREM 16/1326, Sir Marcus Sieff to the Prime Minister, 26 May 1977, and Hector Laing to the Prime Minister, 1 June 1977.
[49] TNA: PRO, PREM 16/1325, Hugh Parker, President, American Chamber of Commerce (UK), to the Prime Minister, 25 March 1977.
[50] TNA: PRO, PREM 16/1326, Wilks to Hutton, 6 April 1977.

outlined by the Bullock minority.[51] Tony Benn was angry that the government's proposal came from Dell, 'the Minister representing capital', who was 'completely opposed to industrial democracy, along with the rest of his Department and Whitehall', rather than from Albert Booth, the Employment Secretary. In discussion Dell and Shirley Williams, future members of the Social Democratic Party (SDP) that broke from Labour to the political 'centre' from 1981, each insisted that industrial democracy would 'have a disastrous effect' on business confidence and international investment. Williams, Secretary of State for Education, was detailed to chair a ministerial committee to consider the subject further, with Dell, Booth and Benn among the members.[52]

This, as Jack Jones would see it later, killed the issue, with only a 'puny' White Paper eventually forthcoming.[53] Published one year later, this resembled in large part the proposals set out by Dell in May 1977, with an emphasis on initial participation below board level, leading to an eventual third share of responsibility at supervisory board level, in a two-tier structure. No definitive position was offered on whether employee representation should be secured through trade union channels only, or whether there should be scope for the incorporation of non-union representatives.[54] Bullock's remnants were duly lost amid the political, economic and industrial turbulence of the 1978-9 'Winter of Discontent',[55] a sequence of industrial disputes that arose essentially from the reluctance of manual workers, especially public employees, to accept the government's anti-inflationary wage controls that were perceived, in admitting only a flat rate increase of five per cent in 1978-9, as discriminating against the low paid.[56] This outcome, including the political discrediting of the Labour government and its defeat to Margaret Thatcher's Conservative party in

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[51] TNA: PRO, PREM 16/1327, John Hunt to the Prime Minister, 17 June 1977.
[52] Benn, *Conflicts of Interest*, 142-3.
[53] Jones, *Union Man*, 316.
[54] *Industrial Democracy*, Cmnd. 7231, HMSO, May 1978.
[55] Jones, *Union Man*, 313-16.
[56] Taylor, *Trade Union Question*, 250-62.

the 1979 General Election, can be traced directly to the abandonment of the industrial democracy agenda, which diminished the solidarity of the Labour party-trade union relationship.

Conclusion: Low Trust Relations and Low Intensity Involvement

This paper has examined debates about the Bullock report on Industrial Democracy in the UK in the 1970s. Bullock was influenced by international developments in employee participation, especially in the BRD, with a shift to moderated board level joint representation in 1976 across economic sectors to complement extant arrangements in the *Montanindustrie*. These transactions were extended by the growth of industrial concentration, cross-frontier operations, including ideas about the 'European firm' that were being pursued in the context of closer EEC integration, and inward investment in the UK. These processes contributed to unease, felt especially in labour organisations, about the remote nature of decision making, particularly in large firms, including cross-frontier and multi-plant operations, and encouraged a significant shift in trade union thinking. Although there remained in the mid-1970s some unreconstructed labour movement opposition to enlarged employee involvement, still seen as a managerial trap, the bulk of trade unionists now supported the end of joint representation and decision-making at board level. This union crossover into employee engagement with what Alan Fox called managerial relations, the terms under which labour was utilised, represented a potentially significant break with UK tradition, where employees tended to retain a major joint voice only on questions of market relations, the terms under which labour was hired.

But the combined forces of business opposition and difficult economic, industrial and political conditions blunted the forces of industrial democracy in the mid-1970s. While it is possible in the lobbying of the UK central government to detect two distinct strands – absolute and qualified 'progressive' – of opposition to industrial democracy, employers were nevertheless united in forecasting that dire economic and industrial consequences would follow the introduction of board level joint representation, which was resisted by the CBI, the Institute of Directors, a variety of large companies, such as ICI, Unilever, and Shell UK, as well as the British Institute of Management, the Engineering Employers' Federation and the Industrial Society,[57] buttressed by representatives of international capital, including the American Chamber of Commerce and the Exxon Corporation. There was a clear ideological basis to this opposition, with its emphasis on managerial prerogative, shareholder sovereignty, the limited (or non-existent) legitimacy of trade union involvement and the incompetence of employee representatives to participate in strategic decision making at board level. It recalls Alan Fox's emphasis on the unitary values of many UK employers in the 1960s, which survived into the 1970s and beyond, manifested in a clear and unambiguous reluctance to share the management of their enterprise with their employees. The low level of intensity of employee involvement duly reflects the low trust nature of industrial relations in the UK, reinforcing and reinforced by Anglo-Saxon capitalist model, with its emphasis on maximising the extraction of short-term dividends for shareholders at the expense of the cultivation of partnerships between employers and employees.[58]

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[57] *The Times*, 27 January 1977.
[58] Beaumont, *Future of Employment Relations*, 182-4.

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