CHAPTER ONE

Introduction:
The Puzzle of British Industrial Relations

So though I'm a working man
I can ruin the government's plan
Though I'm not too hard
The sight of my card
Makes me some kind of superman.

Oh you don't get me I'm part of the union
You don't get me I'm part of the union
You don't get me I'm part of the union
Till the day I die, till the day I die. 1

This book begins with a puzzle. Why did the British labor movement so quickly succumb to the radical reforming efforts of Conservative governments elected after 1979? This was a labor movement at the peak of its power and influence in 1979, when more than half of all British employees belonged to unions and more than four-fifths were covered by collective pay-setting mechanisms. Trade union power was widely acknowledged to be immune to state reform efforts because it was embedded in decentralized workplace institutions, rather than being dependent upon a favorable framework of labor law, and the British labor movement had only recently successfully turned back two major government efforts to limit its power. Such reform efforts were more likely to lead to the downfall of governments than to any decline in trade union strength. And yet, twenty years later, at the dawn of the twenty-first century, trade union density has almost halved; the extent of collective bargaining coverage and the numbers of strikes have collapsed to the lowest levels since the 1920s (or even earlier); where trade unionism exists, it is of a weaker, more marginal form, consulted more often than negotiated with; and various forms of individualized industrial relations have come to dominate the landscape of the British economy. It should be said that so unexpected and rapid was British trade union decline that it went largely unnoticed and unacknowledged among academics until the early 1990s, when evidence from workplace surveys confirmed the transformation of the British industrial relations system.

To put the question that first set the research agenda for this book in a somewhat different way, why was Thatcherism, which enjoyed much more
mixed results in economic and social policy, so strikingly successful in the
realm of industrial relations? In searching for an answer to this question, and
exploring the puzzle of how a once powerful labor movement went into what
may well be terminal decline, this book offers a reinterpretation of more
than a century of British industrial relations developments, and constructs
an argument about the centrality of state action in the establishment, mainte-
nance, and reconstruction of industrial relations institutions. The importance
of the British state’s role has been its institution-building capacity rather than
regulation or repression, and both the timing and the form of state action are
intelligible in terms of shifts in the underlying patterns of British economic
growth. I argue that, contrary to most scholarship, the state has played a
central role in the construction of industrial relations institutions in Britain
in the last hundred years or so, and that one can identify three distinct indus-
trial relations systems, the first lasting from the early part of the twentieth
century until the end of the 1950s, the second lasting a scant two decades
before collapsing in the mid-1980s, and the third now firmly in place. For
all the variations across industries, and idiosyncratic elements of industrial
relations practice, each system formed a more or less coherent approach to
the regulation of relations between business and labor, and each evolved in
response to economic restructuring. Industrial relations institutions came
under severe pressure as the basic structure of the economy changed, and the
state, far from being abstentionist, played a crucial role in the construction
of new institutions to manage, or regulate, class relations. How the state
intervened, in turn, had important implications for the ideology, organiza-
tion, and practice of British trade unions. It is the legacy of this crucial state
role over more than a century, I argue, that explains why British trade union-
ism was so vulnerable to Thatcherism.

The focus of this book is Britain, but the argument that it makes has much
broader theoretical and empirical applicability. The next chapter intervenes
in the theoretical debate concerning institution-building, arguing first that
institutional theory needs to pay more attention to moments of crisis and
disjuncture, second that economic patterning and class conflict are key triggers
of institutional change, and third that states have particular capacities un-
available to private actors, among them a privileged role in the narration of
crises, and the ability to solve collective action problems. As such, the theory
of institutional change offered in the next chapter anticipates both more dra-
matic breaks in institutional development and greater synchronicity in institu-
tional developments across the political economies of advanced capitalist soci-
eties, along with a more central and distinctive role for states in institutional
construction, than the main alternative theoretical approaches.

Furthermore, at an empirical level, I argue that Britain constitutes a critical
case for any argument about the role of the state in institutional development.
It has long anchored one end of the spectrum of state intervention in indus-
trial relations. In contrast to accounts of industrial relations development in France or the United States, for example, which have tended to emphasize important roles for their respective states; state abstentionism in industrial relations, and a concomitant emphasis on “voluntarism” on the part of private industrial actors, was the defining feature of accounts of British industrial relations until at least the end of the 1960s. If it can be argued, as this book does, that the British state has in fact been a central actor in the construction, maintenance, and reconstruction of industrial relations institutions for over a hundred years, this suggests that, at least in the realm of industrial relations, accounts of institutional construction cannot afford to sideline the importance of state action anywhere.

Industrial Relations in British Politics and Society

In no other capitalist democracy has “the labour question” been as enduringly central to politics and political economy as in Britain. The British Labour Party, famously born out “of the bowels” of the trade union movement, retained a tight institutional and organizational connection with the labor movement from the time of its creation until the middle of the 1990s, and even now the party constitution reserves an important role for unions; despite a persistent undercurrent of conflict, even Tony Blair’s New Labour government has not yet attempted to sever the constitutional cord linking party and unions. The closeness of the party-union linkage has meant that party politics has been inextricably linked to industrial relations and the manner in which the labor movement is integrated into the British political economy. Every attempt to renegotiate the role of labor and the form of industrial relations has caused political tremors.

Concern over the labor question, though, goes well beyond party politics and the linkage between the Labour Party and the trade union movement. Well before the labor interest was represented in Parliament there were periodic bouts of middle-class panic in response to industrial conflict, and as British economic dominance gave way to the long drawn-out agony of economic decline, one of the most persistent themes has been trade union responsibility for economic failure. One can read explanations of British economic problems in the Economist magazine or the Times of London in the 1890s and the 1970s and find almost identical passages in both periods identifying restrictive work rules, resistance to technological innovation, and poor work habits as the source of those problems. Only the inclusion of delightful terms such as “ca’-canny” (the deliberate practice of “going slow” at work and limiting output on the part of workers) in the earlier period serves to date these accounts.

Political and public concern over economic decline and the labor movement’s responsibility for that decline reached its apogee in the 1960s and
1970s in Britain. Industrial relations reform became a central part of the agenda of successive governments, and a plausible case can be made that industrial conflict and trade union resistance to those reform efforts brought down two governments: Edward Heath’s 1970—74 Conservative government, following the stillbirth of the 1971 Industrial Relations Act and the mine workers’ strike, which made Arthur Scargill a household name; and James Callaghan’s Labour government, which collapsed in 1979 after an extended experiment with incomes policies resulted in a wave of strikes known collectively as the Winter of Discontent. These events had a profound political impact, launching Margaret Thatcher’s leadership of the Conservative Party, contributing to that party’s embrace of neoliberalism and radical industrial relations reform, and leading to the process of “modernizing” the Labour Party, which eventually led it to embrace “Third Way” policies and Tony Blair as its leader.

The argument here is not that the British labor movement necessarily bears responsibility for the charges that have been repeatedly brought against it; debate over the source of economic decline has been perhaps Britain’s only consistent growth industry. There is a strong case to be made that trade unions were as much the victims of decline as its cause, and that industrial militancy was more symptom of economic failure than cause. From the perspective of more than a century of debate, Britain’s economic decline appears overdetermined. This is not, in any case, a debate that I wish to enter into in this book. The point, rather, is the importance that public debates concerning industrial relations have played in British politics and society for more than a century. Regardless of the reality of trade union power, it became a central cultural trope, reappearing every time the level of industrial conflict became elevated or concern about economic decline heightened. Again, the two decades from the end of the 1950s until the end of the 1970s serve as the best indicator of the wider cultural impact of perceptions of industrial relations crisis. Two examples may illustrate the point. In 1959 Peter Sellers starred in the enormously popular film *I’m All Right Jack*, as a dour trade union shop steward, contemplating a small portrait of Lenin on his mantelpiece at home, and seeking to limit output and encourage militancy at work. Ian Carmichael played an employee whose efforts to work hard and ignore restrictive practices were constantly thwarted by the Sellers character. The film won several British film awards. My first exposure to the cultural importance of British industrial relations came in 1973, when I was eleven and the Strawbs reached number two in the British pop charts with the song “Part of the Union.” The song ended with the verse and refrain that begin this chapter, and it captured well the apparent power and influence of trade unions in Britain in the 1970s. Little wonder then that public debate over industrial relations reform has been so central to British politics. The story of the institutional development of industrial relations is an inseparable part
of the wider trajectory of British politics and political economy in the twentieth century. An examination of the reform of industrial relations over this long period opens a remarkable window into the process by which political-economic institutions are first constructed, then maintained, and eventually transformed in capitalist societies.

**THATCHERISM IN HISTORICAL PERSPECTIVE**

Why was the rapid transformation of the British system of industrial relations in the period after 1979 so unexpected, posing substantial problems of explanation for scholars? After all, Britain’s centralized Westminster system of politics places few political obstacles in the way of government reform efforts, and there is no question but that “taming the trade unions” was a core goal of Thatcherite Conservatism.7 The reason this constitutes a puzzle lies in the manner in which the power of the labor movement had tended to be explained prior to the 1980s, and in particular, the role accorded the British state in the construction of industrial relations institutions.

Almost thirty years ago, John Goldthorpe launched a devastating critique of the dominant diagnoses of the crisis of British industrial relations and prescriptions for reform.8 In the early 1970s two main versions of reformism, “liberal-pluralist” and “Tory reformism,” emerged in response to the problems widely considered to be afflicting British industrial relations: a high strike rate, inflexible and restrictive labor practices, and uncontrolled labor costs. Liberal-pluralist reformism, which was intellectually dominant at that point, argued that these problems reflected a widespread “disorder” or “anomie” in the industrial relations system, and recommended efforts to institutionalize formal collective bargaining in the workplace and reassert both managerial and union authority through education and persuasion (see chapter 4 for an account of those efforts). Tory reformism, to which Goldthorpe devoted much less attention, on the grounds that it had been tried and found wanting, shared much of the liberal-pluralist diagnosis but identified trade union power as a prime culprit and prescribed legislation and sanctions to prevent the “abuse” of union power.

Goldthorpe, from the perspective of radical sociology, argued that reformers failed to recognize that the problems of British industrial relations were symptomatic of a fundamental shift in the balance of class power in the postwar period, in favor of labor, which had created something akin to an industrial relations stalemate. As a result, reformism both misdiagnosed the problem and promoted utopian solutions. Goldthorpe ended his critique thus: “Indeed, the further, more radical, conclusion may be suggested that at the present time British industrial relations are simply not in any far-reaching way reformable.”9 Goldthorpe was not alone. By the mid-1970s it was common, among academ-
ics, politicians, and political commentators, to argue that Britain was becoming “ungovernable,” in large part because of the power of a deeply implanted labor movement that was autonomous of, and therefore immune to, state power. As we will see later in this chapter, postwar industrial relations scholars constructed a highly sophisticated theoretical edifice to explain British industrial relations, one that rested on the notion of a largely abstentionist state and a decentralized workplace trade unionism, and that identified few sharp breaks in the institutional trajectory of industrial relations, and certainly no leading role for the state during periods of institutional transformation.

Yet a quarter century on, one can plausibly argue that British industrial relations have undergone massive reform, and in the process many of the problems of most concern to employers have disappeared. Most interestingly, and unexpectedly, the nature of this reform of industrial relations has not been of the liberal-pluralist variety but rather Tory reformism, in the form of the Thatcherite class project of using state power to restrict the actions of trade unions, limit collective bargaining, and free the hands of managers to organize the workplace as they wish. The state has not been as powerless as, and the labor movement has been more fragile than, anyone would have expected three decades ago. This requires a reinterpretation of British industrial relations.

It is worth stepping back a moment to explain in terms of intellectual autobiography why I have come to argue that understanding Thatcherism’s impact on industrial relations requires a more thoroughgoing reconsideration of a century of British institutional development in this sphere. Prior to turning to the study of British industrial relations, I worked on France, which boasted a notoriously weak and excluded labor movement and an archetypal strong state whose central role in the regulation of industrial relations was well known. I then became involved in a collaborative comparative project surveying the fate of trade unionism in Western Europe in the period after the second oil shock; within this project, my responsibility was Britain. I had expected a striking contrast between Britain and France given the long-standing dominant interpretations of British industrial relations; in many ways the respective labor movement strength and state role in industrial relations in the two countries ought to have been mirror images of each other.

However, the experience of the 1980s and 1990s appeared to demonstrate similarity, not difference, as British trade unionism was far more vulnerable to the exercise of state power than anticipated. The question then was whether Thatcherism marked a break with the past—dominant interpretations of British industrial relations had been correct in the past but had simply been superseded by a determined reforming government—or whether state power has always played a central role in the institutional development of industrial relations, with the implication that the labor movement was always more dependent upon the actions of the state, its strength less autonomous of resources derived from institutions put in place by the state. This book makes
the second argument. It argues that Thatcherism was, in fact, the third great project of state industrial relations reform in the period since the 1890s (when British governments first began actively trying to shape industrial relations institutions). In each case, the state responded to evidence of a failure of existing industrial relations to manage economic restructuring and industrial conflict with a purposeful, coherent project of institution-building, and in each case, the resulting system of industrial relations institutions shaped the resources, practices, and ideology of trade unions. This is not to say (as the next chapter will elaborate at some length) that trade unions, still less business, have been unimportant actors, or that their class strength has not constrained state reform efforts. On the contrary. The British state has nevertheless played a central role in determining the particular shape that industrial relations reform took on all three occasions.

The historical scope of this book thus serves both to contextualize the events of the 1980s and 1990s, by demonstrating that this was one more iteration of a long-term state role in the construction of industrial relations, and to explain why the British labor movement was more vulnerable to state-led institutional reconstruction than one might anticipate from the perspective of the 1970s. It is necessary to reinterpret the past in order to explain the present. In comparative perspective, this interpretation of the British case may in turn require that we rethink our classifications of national varieties of state intervention in the political economy, as the next chapter suggests.

INTERPRETING BRITISH INDUSTRIAL RELATIONS

This book offers a reinterpretation of the development of industrial relations institutions in Britain. This is clearly not a subject upon which little scholarship exists. Precisely because industrial conflict and debates over trade union power have been such contentious political and public issues, a staggering quantity of literature exists, and it is hard to identify any areas of research that have escaped academic scrutiny. The final section of this chapter will set out the main elements of the argument of the book and its contribution to that literature, and the next chapter will elaborate the theoretical framework employed. But it is first important to briefly discuss alternative interpretations of British industrial relations, particularly the interpretation that dominated debate until at least the end of the 1970s. Teasing out the assumptions contained in this theoretical approach is the starting point for any reinterpretation that is able to make sense of the impact of Thatcherism, and more recently Blairism, on British industrial relations.

From the 1950s through the 1970s British academic industrial relations were dominated by a pluralist theoretical paradigm (what Goldthorpe referred to as liberal-pluralist). The leading figures, including Otto Kahn-Freund,
Hugh Clegg, Allan Flanders, and Alan Fox, were influential both in the academy and in public policy. These academics were often found on public commissions and courts of inquiry, and their research efforts served as the raw material for the formulation of government policy. The best indication of the intellectual dominance of pluralism was indicated by the report of the Royal Commission on Trade Unions and Employer Associations, chaired by Lord Donovan and issued in 1968 (see chapter 4), which closely followed both the diagnoses and the prescriptions of pluralism, and which set the industrial relations policy agenda for the next decade. Pluralism was always subject to criticism, particularly from its left, and as the 1970s wore on that criticism grew. However, while pluralism has fallen out of fashion in the last two decades, no overarching industrial relations theory has replaced it. Somewhat paradoxically, the influence of its main theoretical rival, Marxism, largely rose and fell in step with pluralism. Of particular importance for this book is the role that pluralism and both alternative and subsequent interpretations of British industrial relations have attributed to the state.

It is also worth noting that the British tradition of industrial relations research has been dominated by empirical work. Its primary focus has been the workplace, where hugely rich accounts of industrial relations practice have been made possible by a case study approach. Case studies have increasingly been supplemented by large-scale surveys, but even these have tended to center on the workplace rather than the sectoral level or the suprafirm institutions of union or business organization. The result is that the literature is “characterised by fact-finding and description rather than theoretical generalization.” Theory has been more an afterthought than a central focus of intellectual activity. This is of course itself a generalization, and industrial relations scholars have on occasion sought to step back from the detailed, finely grained studies of industrial relations in a given workplace or industry to seek some broader theorization of industrial relations developments. Still, it remains true that while the theoretical architecture of pluralism is rarely invoked in discussions of contemporary industrial relations, no alternative paradigm has achieved anything like its widespread acceptance.

For pluralists, Britain was the classic example of the abstentionist state and the voluntarist industrial relations system. The best statement of this position was that of the foremost legal theorist of British industrial relations, Otto Kahn-Freund, who labeled the British system “collective laissez faire.” This implied “allowing free play to the collective forces of society, and to limit the intervention of the law to those marginal areas in which the disparity of these forces ... is so great as to prevent the successful operation of what is characteristically called ‘negotiating machinery.’” Kahn-Freund argued that a mature system of industrial relations, of which Britain was the best example, exhibited a sufficiently high degree of collective self-organization by business and labor that state intervention was unnecessary, and would serve only to impose con-
ditions that unions and employer organizations could not and would not carry out. Kahn-Freund’s view of the appropriate role of the state in industrial relations was clearly influenced by his experience in interwar Germany, where labor law was used to limit the autonomy of trade unions and ultimately incorporate them into the state, but it also rested on the assumption that the relative power of business and labor organizations could be sufficiently leveled, in the absence of a significant and continuing role for the state, to permit self-regulation. The result from the perspective of the 1950s was, again in Kahn-Freund’s words, that “there is, perhaps no major country in the world in which the law has played a less significant role in the shaping of these [industrial] relations than in Great Britain.”

Similarly, when Flanders attempted to set out the core principles on which the British industrial relations system was based in his evidence to the Donovan Commission, the first was the priority “accorded to collective bargaining over other methods of external job regulation.” This meant that legislation played a very limited part in the setting of wages and working conditions, tending to be reserved for areas of the economy where collective bargaining was too weak to operate, and that there was no legal regulation or legal support for collective bargaining. The second core principle was the priority accorded to “voluntary over compulsory procedural rules for collective bargaining.” This principle implied limited regulation of the relations between unions and employers, and hence an abstentionist and minimalist role for industrial relations legislation. The state and legislation, in other words, played a peripheral role in the British system of industrial relations, which was instead regulated by voluntary agreements between unions and employers. Thus, from the perspective of the 1960s, British industrial relations were characterized by a severely limited legislative framework, which relied on negative immunities rather than positive rights, and the processes of union recognition, bargaining, and industrial conflict were regulated by voluntary collective agreement rather than the state. At this time British workers had no statutory right to strike, to union recognition, or to collectively bargain.

Thus the conventional account argued that British trade unions have traditionally relied on immunities instead of rights, that the state provided few individual protective rights at work, and that there was limited juridification of outcomes, with the single exception—a very big exception—of incomes policies, which were considered temporary despite being in operation in one form or another for the great bulk of the postwar period. Steinmetz has argued that disadvantaged groups have traditionally had two routes for making gains. The first is to bring the state in on their side, while the second is to bypass labor law and the state through collective action. For the pluralists Britain was perhaps the purest example of that second route.

The implication of this account was that trade union strength, when it existed, was a result of the unions’ own efforts and a direct result of market
strength rather than state support of some kind. Parallel to, and influencing, the notion of an abstentionist state in British industrial relations was the doctrine known as voluntarism. It reflected, as Flanders put it in 1974, “the notion that unions have, as it were, lifted themselves into their present position of power and influence by their own unaided efforts in overcoming employer resistance and hostile social forces.”

The basis of voluntarism, from the perspective of trade unions, was neatly summed up in Kahn-Freund’s statement that “what the State has not given the State cannot take away.” Hyman’s important recent account of varieties of European trade unionism firmly emphasizes both the voluntarism of British unions and, in comparative perspective, the historical continuity of British trade union traditions.

Their distinguishing feature, for Hyman, is their occupation of a terrain between market and class: between a focus on bargaining for improved terms and conditions within the labor market, and a model of class conflict in which trade unionism is a form of “anti-capitalist opposition.” And of great importance for trade union behavior is the fact that voluntarism, with its particular understanding of the sources of labor power, came to be internalized by the unions themselves.

The particular emphases of the pluralists were nicely captured by Clegg’s classic and highly influential early accounts of British industrial relations, which began with chapters on work groups, shop stewards, and workplace bargaining and only then moved on to discuss employer associations and trade unions, ending with a discussion of the role of the state. It made sense to begin with workplace bargaining and labor organization in the workplace because, as Clegg put it, “they are uniquely important in contemporary Britain compared with the past or with countries overseas.”

All pluralists agreed that the most important single fact in the development of British industrial relations in the postwar period was the growth of workplace bargaining, which threatened to displace the existing system of industry-level bargaining. The famous conclusion of the Donovan Report was that Britain now had two systems of industrial relations: industry-level bargaining had an elaborate set of formal mechanisms and procedures created by unions and employer associations, but the agreements that resulted were increasingly empty, setting minimum wages and grievance procedures but leaving the negotiation of real wages and working conditions to the firm, where collective bargaining was much less formalized and much more subject to conflict. The results were unofficial strikes and wage drift. Neither unions nor employer associations had much control over industrial relations at this level. Instead, power was in the hands of groups of workers and managers in the firm.

This account of a decentralized and voluntary system of industrial relations, unregulated by the state, overlay an essentially market view of the nature of workers’ power. Wright has usefully distinguished between the associational and structural power of workers, with the former being a product
of collective organization and the latter emerging out of the location of workers in the economy.\textsuperscript{12} Pluralist accounts of British industrial relations emphasized structural power, with power lying with the work groups inside the firm rather than with trade unions outside; the balance of power between workers and management rested on market factors: the level of employment, skill, and location in the firm.\textsuperscript{13} Power was not, in other words, based on the collective or organizational resources of workers, still less on political resources derived from the state. So it should come as no surprise that the primary explanation used by pluralists to explain the rise in the power of workers in the postwar period—and hence the problems of strikes, inflation, and so on—was tight labor markets. As Clegg put it in 1972: “The study of British industrial relations today is to a considerable extent the study of how a system of industrial relations fashioned at a time of unemployment or fluctuating employment, has reacted to a long period of full employment.”\textsuperscript{14} Workers became more powerful after 1945 because market conditions gave them greater bargaining power.

The pluralist view was not uncontested. Indeed in the course of the 1970s it came under increasing attack from Marxism and radical sociology. Goldthorpe’s 1974 critique cited earlier was only one of a range of responses primarily from the Left, and there was even an internal critique from Alan Fox, one of the original pluralist theorists.\textsuperscript{15} Two parts of the pluralist account of British industrial relations came in for particular criticism: the nature of industrial conflict, and the appropriate response to it. Thus pluralism’s critics argued that conflict was inherent in the capitalist wage relationship, that power was more weighted toward management in the workplace, and that, as Goldthorpe argued, worker power in the workplace, especially the growth in the power of shop stewards, was not so much a source of disorder as a genuine expression of class power.

Hence the response to pluralist prescriptions for reform was to ask in whose interests reform would be, and to question whether reform, either negotiated or imposed, would work. Goldthorpe argued that what the pluralists saw as general problems of British industrial relations—which, as a result, most groups in society might be expected to wish to ameliorate—were in fact only problems for management, and reflected a long-term and deep-seated growth in the workplace strength and hence bargaining power of workers inside the firm. Pluralist solutions were utopian because they failed to recognize that what industrial relations theorists saw as generalized anomie in fact served the interests of large numbers of workers. Similarly, Tory reformism, while more seemingly realistic in its willingness to impose reform, misidentified the culprit and hence focused its attention on trade unions, who were as powerless as management to control the power of labor in the workplace.

The important and surprising point, though, is that for all their differences over the nature of industrial conflict and what to do about it, pluralists and
their critics did not differ on the core assumption of the essentially autonomous firm-level and market-based nature of worker power in the firm. The assumptions about the minimal role of the state in explaining labor power were shared, and indeed enhanced, because pluralism's critics on the left were even more likely to see the state as primarily coercive in its defense of capital's interests. And if anything, the critics on the left went further in emphasizing the workplace as the source of labor strength, in celebrating shop steward power, and in distrusting the motives and role of trade union bureaucrats, a perspective Zeitlin has termed “rank-and-filism.” Indeed, Clegg, in a theoretical conclusion to his 1979 book on industrial relations, perceptively noted that “the difference between their [Marxist and pluralist] analyses of industrial relations should not be exaggerated” and that there is “much common ground in their answers” to the explanation of conflict and stability in industrial relations. In the one area where Marxism ought to have had a clear superiority over pluralism—its account of the economic determinants of class conflict—the advantage was lost by positing a largely abstract and ahistorical capitalism, which could no more account for broad shifts in labor strength than the labor market analysis of the pluralists.

Much attention has been paid in this chapter to a historical snapshot of the state of industrial relations theorizing in Britain. In retrospect, the dominant pluralist interpretation of industrial relations was something of an accident of timing. It emerged in the 1950s, a period of relative stability in the institutional development of industrial relations. In most industrialized countries, the critical construction phase of the postwar industrial relations system took place between 1930 and 1950, as a result of depression, war, and a postwar settlement resting on new political and class compromises. Industrial relations institutions in Britain did undergo some important development during this period, but the basic contours of the system already existed, having been constructed between 1894 and 1921 (as chapter 3 details). Thus scholars, examining British industrial relations in the early 1950s, saw institutions that appeared to be operating smoothly with little help or hindrance from the state; the theorization of an abstentionist state was, in other words, an artifact of a particular time period, one that was actually quite unusual in the limited degree of state intervention. The 1950s were also a highly unusual period of apparently harmonious class relations, as evidenced by popular reactions to the festival of Britain in 1951 and the coronation of Queen Elizabeth II in 1953. At the time of the coronation, a pair of prominent sociologists could argue

The assimilation of the working class into the moral consensus of British society, though certainly far from complete, has gone further in Great Britain than anywhere else, and its transformation from one of the most unruly and violent into one of the most orderly and law-abiding is one of the great collective achievements of modern times.
This was not a description of British class relations that would be recognized a decade later. Historically, it has been a rise in the level of industrial conflict, and public concern about the economic impact of such conflict, that has forced the British state to take a more active role in the regulation of industrial relations, and in the 1950s British governments had the luxury of being able to rely on existing industrial relations institutions to limit that conflict.

The pluralist interpretation of British industrial relations, with its emphasis on collective laissez-faire, voluntarism, and a relatively limited state, was therefore forged in a quite unusual period of British industrial relations history. Nevertheless, aspects of its interpretation were reinforced by events of the 1960s and 1970s (as we shall see in chapter 4), in particular the view that states had limited power to rein in trade union power, and that the strength of the labor movement derived from its autonomous power in the workplace. Initially, at least, the dramatic shifts in British industrial relations beginning in the 1960s were assimilated into the existing pluralist theoretical framework.

Of course the state abstentionist view has not survived unexamined to the present. Evidence from the 1960s onward of a steadily increasing tide of both individual and collective labor law forced some reconsideration of the role of the state, and the experience of the 1980s and 1990s accentuated that process, though the question of the effectiveness of state action in curtailing labor strength remained contentious. The emergence of a burgeoning historical literature on the role of the state in encouraging union development in various industries has also chipped away at the abstentionist position. It is no longer acceptable to construct industrial relations textbooks along the lines that Clegg and his collaborators first produced in 1954; government policy, labor law, and the public sector now all receive sizable attention.

However, the traditional view of the abstentionist state, though superseded, has absorbed and refracted the more recent evidence of an expanded state role. State intervention still tends to be seen as incoherent, ad hoc, and narrowly political rather than systemic. This has had two implications. First, the focus has been on labor law, to the exclusion or marginalization of a much broader range of state actions that influence industrial relations. Indeed much of the discussion of the role of the state in recent years has come from academic lawyers. Second, the very notion of state intervention implies a basic separation between the state and industrial relations, in which the latter could, and at one time presumably did, operate autonomously of the state. Thus the role of the state is seen not as an integral component of industrial relations so much as a regulator of conflicts that originate in the workplace. Legislation and other forms of state action are rarely seen as a central component of labor strength. Thus the increased role of the state in industrial relations has been recognized but not theorized.

It needs to be said that several scholars have argued that the constitutive role of the British state in the construction of industrial relations institutions
needs to be more fully integrated into our understanding of the historical evolution of industrial relations. Most important have been Zeitlin and Tolliday’s work on the role of the state in encouraging union growth and collective bargaining, and Ewing’s account of the interwar period. Both not only offer an alternative historical reading of the role of the state but attempt to theorize it as well. Zeitlin and Tolliday emphasize a position of state autonomy and identify a range of state interests separate from those of business that lead states to foster trade unionism. Ewing is particularly valuable in expanding the notion of what constitutes state intervention and in emphasizing the institution-building role of the state. This book builds on that scholarship, both by extending the historical period to cover three great state projects of industrial relations reform, and by attempting to explain both the logic of state action (why states act in particular ways at particular times) and the consequences for institutional construction in the realm of industrial relations.

State regulation of industrial relations can take place in a wide variety of forms. The single most important reason why the abstentionist account of the role of the British state seemed plausible, at least until the 1960s, was that regulation was understood to mean legislative regulation through a comprehensive framework of labor law, and this Britain most certainly did not have. But in fact the British state has intervened constantly in industrial relations. There was scarcely an industrial conflict in the decade and a half before the First World War, or again in the 1960s, in which the state did not seek to bring about a settlement, often through detailed participation in the negotiations. To be sure, intervention is not regulation, as Fulcher has reminded us, and it could be argued that it has been precisely the absence of a better framework of labor law that has forced the state to intervene constantly in an ad hoc manner, cleaning up the mess of a failed industrial relations system. The remainder of this book argues that this would be to misunderstand the nature of state regulation in Britain, which achieved a high degree of coherence during each of the three periods of the past century.

The Argument

This book examines a little over a century of industrial relations developments, from the late 1890s, when the British state first clearly articulated a public policy interest in the spread of collective institutions for the regulation of industrial relations, to the present. After 1979, Conservative governments formally ended that public policy presumption in favor of collective regulation, instead urging the decollectivization of industrial relations and the spread of individualized institutions for the regulation of social relations in the workplace. The Labour government elected in 1997 and reelected in 2001 has made few changes to this industrial relations framework, emphasizing that
any further regulation of the labor market would take place primarily through individual labor law enforced through state agencies, not a revitalization of collective labor organization and collective regulation of industrial relations: the decollectivist system of industrial relations has been reinforced, even if alternative mechanisms of labor protection have been introduced.

In the course of the time period covered in this book three distinct industrial relations systems were constructed in Britain. Each new set of mechanisms to regulate industrial relations was a response to changes in the structure of the British economy and the increased industrial conflict that accompanied economic restructuring. But new industrial relations institutions did not emerge out of the interactions of business and labor in civil society alone. In each case, the British state played a crucial role in the early construction phase of new regulatory mechanisms. Once they were in place, the state could then partially withdraw from active regulation, leaving industrial actors to use the new institutions. The three systems of industrial relations that were put in place in the course of the last century were each coherent and intelligible responses to the economic challenges facing the British economy at the time of their construction: there was, in other words, a clear economic patterning that underlay institutional development, explaining the timing and form of reform efforts, which went well beyond short-term, reactive, and narrowly political explanations of the manner and trajectory of industrial relations. At the same time, however, the sets of institutions that were created were not the only ones that might have responded to economic restructuring, nor were they necessarily the best—the seemingly permanent crisis of British industrial relations speaks to the failure of industrial relations reform alone to manage capitalist crisis. There was, at particular junctures, an important measure of space for state actors to shape the design of institutions. Furthermore, as the next chapter elaborates, states have unique capacities, beyond those enjoyed by private industrial actors, when it comes to the construction and embedding of institutions.

The first system of industrial relations, which emerged in response to the long drawn-out decline of the old staple industries that had powered Britain’s economic growth for much of the nineteenth century, was organized around industry bargaining between trade unions and employer associations. The institutions that made up this system of industrial relations served to limit competition, both between employers and workers, and between different employers in the same industry, creating a floor of terms and conditions of work and elaborating grievance procedures. Public commissions helped to privilege a particular interpretation of economic decline and industrial conflict, and created the political space for the spread of industry bargaining. This was not a set of industrial relations institutions that would have found widespread acceptance in the absence of an active role on the part of state actors, primarily because of collective action problems among employers. Board of Trade and Ministry
of Labour officials repeatedly intervened in industrial disputes and used an assortment of mechanisms to urge the creation of collective bargaining institutions. Once in place, these institutions were remarkably successful in resisting pressure for their abrogation, even after labor movement strength and industrial conflict waned in the interwar period. An important advantage of this system of industrial relations for trade unions was that industry bargaining helped them gain recognition from employers and recruit new members where they might otherwise have found it difficult to force recognition.

This industry bargaining–based set of institutions began to collapse in the 1950s, when the center of gravity of the British economy shifted from the older staples to a set of industries that more closely approximated Fordist forms of growth. The absence of institutions for managing economic change and improving productivity inside firms generated higher levels of industrial conflict, much of it at the workplace level, unsanctioned and uncontrolled by trade unions. In this context, a second system of industrial relations began to develop, this one organized around the creation of collective workplace institutions to permit the negotiation of economic change. Within a relatively short period, about a decade and a half, workplace bargaining over not just terms and conditions but a broad range of aspects of work organization, a formalized role for lay union officials inside the firm, and an increasingly elaborate set of resources and mechanisms for decentralized collective bargaining became widespread in the economy. Again, public commissions played an important role in setting the terms of political debate concerning industrial relations reform, and state action (this time as much legislative as administrative) served to reduce the costs, particularly to trade unions, of decentralizing their activities, and to spread decentralized bargaining far beyond those firms and industries that initially experimented with these forms of industrial relations. Chapter 4 argues that this project of industrial relations reform was in fact significantly more successful than contemporaries acknowledged. Furthermore, the failure of alternative projects of industrial relations reform during this period, which had taken the form of offering a statutory route to union recognition in return for restrictions on industrial action, reinforced in trade unions the myth of bootstrap voluntarism, referred to by Flanders earlier, in which union strength was believed to be autonomous from state action and resources.

This second system of industrial relations rapidly came under pressure from the interaction of domestic and international economic factors, and from the particular manner in which employers responded to both those economic factors and the expansion in scale and scope of collective regulation inside the firm. The focus of the third system of industrial relations remained, like the second, centered on the firm, but it replaced collective regulation with individualized institutions that maximized the flexibility of employers in organizing work and managing their workforces. Collective regulation remained in parts of manufacturing, in older firms, and in the public sector, but even there
it was less formal and increasingly circumscribed. In the 1980s, the British state once again played a central role in the articulation and spread of this new set of industrial relations institutions. Labor law and management of the public sector were the main tools of state policy. A slew of industrial relations legislation—six major acts of Parliament alone between 1980 and 1993—limited the capacity of trade unions to resist change and gave employers a free hand in restructuring their industrial relations, and action in the public sector served to demonstrate acceptable forms of industrial relations to private-sector employers. As noted above, and elaborated in some detail in chapter 6, the arrival of a New Labour government in 1997 after eighteen years of Conservative governments did not markedly alter this system of industrial relations, reinforcing its decollectivist tendencies while introducing some limited statutory reregulation of the labor market.

It was in this context that the chickens of voluntarism came home to roost for British trade unions. In both the first and second systems of industrial relations, important components of labor strength derived from institutions constructed or underwritten by the state: industry bargaining provided a mechanism for gaining recognition, while the costs of decentralized collective bargaining for unions were subsidized by the state and employers. Once the state and employers both withdrew from these institutions, trade unions found themselves much weaker than they, or most academic commentators, had anticipated. The result was a rapid and sustained decline in both trade union strength and collective regulation of industrial relations. One measure of this vulnerability has been the dramatic shift in trade union strategic orientation in the last fifteen years; in a partial recovery of strategies that briefly flowered at the end of the nineteenth century, and again in the early 1960s, trade unions have now turned their backs on voluntarism and endorsed a thoroughgoing juridification of British industrial relations, with the creation of a wide range of statutory rights at work. Unions, in other words, have finally acknowledged their dependence upon political resources and sought a political settlement that embeds a set of positive rights (in contrast to the negative immunities they enjoyed for most of the twentieth century) in labor law.

The narrative contained in this book brings state actors to the center of the stage. For that reason, it is easy to overstate the role of the state and the autonomy that it enjoyed. The next chapter will attempt to theorize more precisely the space available to states for institutional construction, and the relationship between state and class actors, but a brief disclaimer is necessary here. All states operate within a force field of class interests and constraints, and in capitalist democracies the “privileged position of business” is partially offset by the capacity of other social actors to mobilize political resources. It makes little sense to isolate one actor, whether it be labor, business, or the state, as dominant when it is the relationships among them, and their shifting interests, alliances, and compromises, that shape the construction of industrial
relations institutions. This book focuses on the role of the state, both in order to highlight some specific capacities and features of that role in the process of institution-building, and because the state’s role has often been misunderstood in the British case. It is precisely the traditional undervaluing of state action in Britain that makes Britain a crucial comparative case for any discussion of the process of institution-building.

Nevertheless, business and labor were not mere bystanders, so understanding the “class drivers,” to borrow Coates’s marvelous term, is always going to be an important part of the story. In this regard it is worth distinguishing between the purposeful role played by class actors in the process of institution-building, on the one hand, and the manner in which class formation served to shape the kinds of institutional responses that were available to the state, on the other. Each moment of institutional construction was preceded or accompanied by an increase in industrial conflict and an expansion of the organizational capacity of trade unions. The search for new industrial relations institutions was therefore in part a response to renewed labor strength and an effort to find a new manner in which to integrate the working class into capitalist society. In the British case, trade unions helped to trigger each new phase of institutional construction, but they played a less significant role in shaping the resulting institutions. Business interests played a much more important role, both because of the greater political influence of business throughout most of the last century and because firms were bound to have a privileged role in identifying the institutional implications of economic restructuring.

More important than directly shaping industrial relations policy, however, was the manner in which class formation in Britain constrained the kinds of institutions that could be constructed. There is a large literature on the way in which industrialization and empire shaped the organization and interests of business and labor, and created enduring class practices. The dominance and international focus of financial capital, the small size and resistance to technological innovation of industrial firms, the fragmentation and craft outlook of the labor movement are all well known, and reference will be made to them in later chapters. Their importance for the purposes of this book is that they created a set of collective action problems that pushed the state to take a more active role in the construction of industrial relations institutions and, at the same time, made certain institutional responses to economic crisis all but impossible. British governments were thus simultaneously forced to act and constrained in the manner in which they could act.

The outline for the rest of this book is as follows. The next chapter steps back from the British case to examine theoretical approaches to the process by which industrial relations institutions are constructed, maintained over time, and then reconstructed. It argues that existing approaches do a much better job in explaining institutional continuity over time, and differences in sets of national institutions, than in explaining sharp breaks, moments of
institutional discontinuity, and synchronous waves of institutional construction across countries. The rest of chapter 2 elaborates a theory of institutional construction that emphasizes two factors: first, a modified version of Regulation Theory in which changes in the growth regime trigger institutional crisis; and second, a set of capacities that are unique to the state in the process of institutional reconstruction, and which therefore make state action indispensable to the trajectory and shape of industrial relations institutions.

Chapters 3, 4 and 5 examine the three systems of industrial relations that have been created in Britain in the period since the 1890s. Chapter 3 covers the period from 1890 to 1940 (though it concentrates on the first half of that period), when the system of industry collective bargaining emerged. Chapter 4 examines the decline of the first system of industrial relations and then focuses on the various state reform projects undertaken between 1968 and 1979. It charts the growth of the second system of industrial relations, in which collective bargaining became decentralized to the firm level and expanded in scope to cover a wide range of workplace issues. Chapter 5 investigates the collapse of decentralized collective bargaining and its replacement by a decollectivist system of industrial relations. The logic and impact of Conservative reforms between 1979 and 1997 are examined in some detail. The structure of each of these three chapters is similar. They first outline the process of economic restructuring that triggered an upsurge in industrial unrest and the search for alternative institutional forms to regulate class relations, and examine the role of public commissions in shaping the discourse of reform. Each chapter then details the construction of new industrial relations institutions and the role of state actors (and conflicts among different state actors) in that process. The consequences of a particular sets of industrial relations institutions for the ideology, organization, and practice of trade unions forms the concluding section of each chapter. As noted above, the persistence of voluntarism on the part of British trade unions had the result that at potential turning points they largely rejected alternative industrial relations institutions. These chapters argue that institutions inherited from the past, and the reaction to them on the part of many trade unions, exacerbated the labor movement's vulnerability, a vulnerability that was exposed after 1979. The final chapter investigates the impact of the Labour government, in power since 1997, on the emerging decollectivist system of industrial relations. It concludes with a discussion of the trajectory of British industrial relations in comparative perspective.