

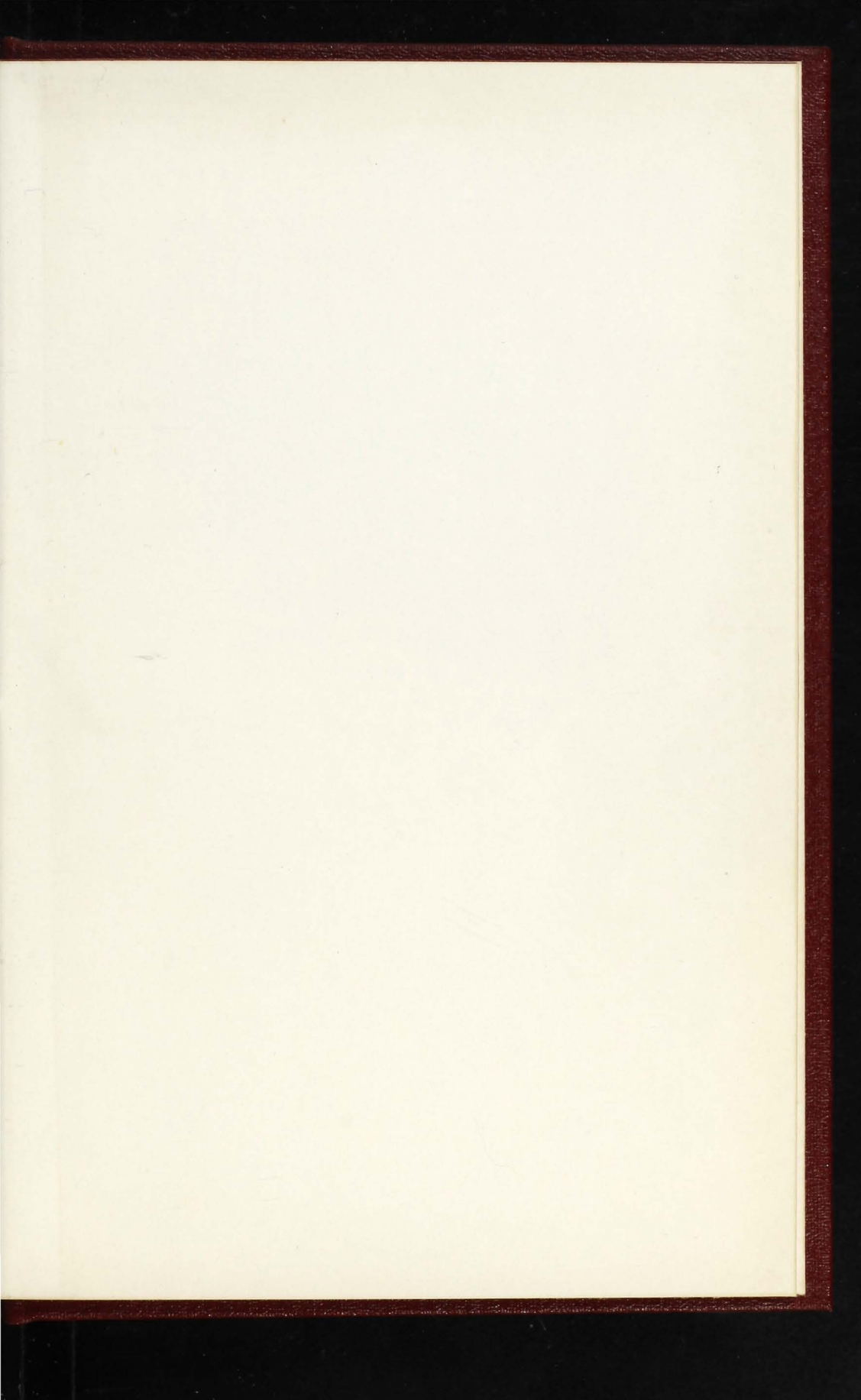
BRITISH LIBRARY
OF POLITICAL AND
ECONOMIC SCIENCE



LONDON SCHOOL OF
ECONOMICS AND
POLITICAL SCIENCE

10, PORTUGAL STREET,
LONDON WC2A 2HD

Tel. 01-405 7686



Labour and the social contract

BP
161511(458)

Robert Taylor
fabian tract 458

65p



fabian tract 458

Labour and the social contract

chapter	1	the background	1
	2	TUC influence since 1974	5
	3	priorities for the eighties	14

the author

The author is the labour correspondent of *The Observer*. His book "The Fifth Estate: Britain's Unions in the Seventies" was published earlier this year. He writes regularly for *Socialist Commentary* and *New Society*. Robert Taylor is a former chairman of the Oxford University Labour Club. He graduated in 1956 with a first class degree in modern history and then spent three years at Nuffield College, Oxford. He is the author of "Lord Salisbury" (Allen Lane, 1975) and contributed to "The Age of Affluence" (Macmillan, 1969) and "Trends in British Politics since the War" (Macmillan, 1978). He was formerly on the political staff of *The Economist* and was the industrial correspondent of *New Society*.

this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the views of the individual who prepared it. The responsibility of the Society is limited to approving publications it issues as worthy of consideration within the Labour movement. Fabian Society, 11 Dartmouth Street, London SW1H 9BN. September 1978 ISSN 0307 7535 ISBN 7163 0458 9

1. the background

12(P)

BP 161511(458)

23/10/78



"This honourable and open alliance", Pete Curran of the Gasworkers at the 1908 Labour Party Conference on the links between the unions and party.

For most of the past eight years, the Labour Party and the trade union movement have worked closely together in a revived alliance known as the social contract. Despite the severe difficulties with which the Labour government has had to grapple since taking office in March 1974—rampant inflation, mass unemployment, balance of payments deficits, a weak and unstable currency, an alarming deterioration in the position of British manufacturing, cuts in real living standards for the first time since the end of the second war—the partnership between the unions and Labour in office has proved surprisingly resilient. During the 1964-70 period of Labour rule, the two wings of the movement failed to sustain a common sense of purpose. And in the early summer of 1969 the *In Place of Strife* White Paper (intent on compelling union reform under the stimulus of legislation) brought government and TUC to a state of virtual civil war. In contrast, during the seventies there has been no parting of the ways, no drastic rupture, despite the doubts and alarms. Even the tensions and conflicts of the past four years of Labour government have failed to tear apart the social contract. Loyalty, self-interest, a will to survive, above all a clearer identity of the needs and limitations bound party and unions together closer than perhaps at any time since the early 1930s.

Nevertheless, the social contract has never ceased to arouse widespread controversy since its tentative beginnings in the aftermath of Labour's 1970 election defeat. For many it is viewed as the unacceptable face of British trade unionism, which has brought a vast and tyrannical union power and influence into the very seat of government, where it threatens the existence of representative parliamentary democracy. The social contract has been condemned by Conservatives as a corrupting, unconstitutional alliance that menaces individual freedoms. It is seen as the triumph of

selfish sectionalism over the wider considerations of the "national interest". Such criticisms are commonplace and have been since the unions founded the Labour Party at the turn of the century. Nowadays they form an integral part of the dangerous, seductive myth that trade unions actually govern Britain. Union bosses are caricatured as the new barons, intent on privileges, perks and the acquisition of power without responsibility, answerable to no-one. The Labour government is accused of being a mere cypher of the TUC and Jim Callaghan Len Murray's poodle. There is a fear (not confined to the anti-Labour camp) that the social contract has brought about the rise of the corporate state, where behind closed doors union leaders and cabinet ministers hammer out policies affecting the well being of everybody else and then impose these by *force majeure*.

The primary aim of this pamphlet is to dispel some of the mythology about the social contract, through a close scrutiny of what it has actually achieved during the past four years of Labour government. It will assess just how substantial an impact the TUC has exercised over the course of political events and will argue that the unions have been unfairly castigated as scapegoats for our relative post-war economic decline and that despite their innumerable faults (due more to chronic weakness than over mighty strength) they are not the guilty men, as often portrayed by economic commentators. The Conservatives have launched a bitter, often hysterical attack against the trade unions for their alleged domination. This needs to be answered after a thorough look at the facts.

The pamphlet will argue that the social contract between Labour and the unions remains the best, last hope for transforming this country into a more prosperous, just and humane society in which to live and work, less divided than today by class, status, snobbery and prejudice. All over north western Europe, particularly in Germany and Scandinavia, social democratic parties and trade unions are working together in harmony to create richer, fairer societies for all their

people. The social contract happens to be the British way in what has become a recognisable development over large parts of the continent.

The recession since 1974 has done much to diminish the hopes and idealism of the sixties. Inflation and unemployment have returned to bewilder the western world and future economic growth can no longer be assured. Those who wish to destroy the welfare state and institute the rule of the liberal market economy in all its rigour no longer lie on the lunatic fringe of politics. Their over-simplified, instinctive solutions to complex problems have an immediate appeal to many who only a few years ago would have recognised the need for dirigiste economic policies and social welfare provision. If the appeals of monetarism and *laissez faire* are to be resisted, we must ensure that the social contract continues stronger than ever into the eighties through a common programme of practical action. The two wings of the Labour movement together must formulate new, realistic answers to the challenges of the next decade and not turn blindly to the slogans and dogmas of the past. The social contract must stand firm against the common enemy. This will not be easy but there is no other way, unless Labour wants to become nothing more than a discontented sect, rather than a popular, mass part of government with an idealistic vision. The second part of the pamphlet will examine areas where the common programme should develop. We must avoid any tedious check-list of doctrinaire demands (*à la* Labour Programme 1976) held together by neither vision nor argument. If Labour and the unions intend to work in harness, they need clear sign posts and agreement about how the social contract should develop.

the making of the social contract

The social contract was born in the bitter aftermath of Labour's 1970 defeat. There were calls for a revived alliance between the unions and the Party at the 1970 Labour conference, notably by Jack

Cooper of the GMWU and Bill Simpson of the Foundry Workers' Union, but it was a year later that Jack Jones launched the initiative for the social contract, a new understanding between the party and the unions. He told the 1971 conference "There is no reason at all why a joint policy cannot be worked out. But let us have the closest possible liaison. This is not just a matter of brainstorming in the back rooms of Congress House and Transport House just before the next election. In the past we have not had the dialogue necessary. The unions and the Party leadership perhaps have been both unsure of their own ground but we can make this policy into a great campaign to open up the approach to genuine industrial democracy based on the unions."

Union leaders and the shadow cabinet found a new cohesion in their opposition to Edward Heath's Industrial Relations Bill and it was decided in autumn 1971 to establish a committee (which confirmed that the two wings of the movement had reached accord) on a more permanent basis. Through their bloc votes at Party conference, their control of 18 seats (12 trade union, 5 women, 1 treasurer) on Labour's national executive committee and their domination of the Party's finances, the unions have always played a crucial role in the Party's history, from the time many of them helped to found it in 1900. During the 30s and early 40s, Party and TUC worked closely together. Indeed Professor Samuel Beer in *Modern British Politics* (Faber and Faber, 1966) called the arrangement during 1940-1945 "the social contract". But the ties grew more tenuous and strained during the 60s. Now the Liaison Committee was to repair the damage and bring the Party and unions together in the formulation of a future policy for a Labour government. It met for the first time in January 1972, bringing together six members of the shadow cabinet led by Harold Wilson, six from the National Executive Committee (NEC) and six from the TUC led by Vic Feather.

Within six months a joint statement was issued by the Liaison Committee on

industrial relations policy, calling for the repeal of the Industrial Relations Act and the creation of a Conciliation and Arbitration Service, independent of government and made up of employer and union representatives. It also called for an extension of worker rights over membership of a union, unfair dismissals, shorter qualifying periods for minimum notice and longer periods of notice from employers. Trade unions were to take employers who refused them recognition or information for collective bargaining before arbitration committees. Their representatives were to be given statutory rights on safety and health at work. (These provisions were mostly enshrined in the new labour laws of 1974-1976.)

By late summer of 1972, the Liaison Committee had decided to expand its work into economic policy looking in particular at the obstacles to sustained expansion such as inflation and the balance of payments. On top of this, there was to be an examination of industrial democracy and regional policy as well as new strategies to deal with unemployment.

The next policy statement from the Liaison Committee came in January 1973 when Harold Wilson and Vic Feather unveiled *Economic Policy and the Cost of Living* to a critical press at Transport House. This was a shopping list of proposals for the next Labour government. It included control of basic food prices through subsidies, subsidisation of public transport fares, the public ownership of land for building purposes, a "large scale" redistribution of income and wealth, the phasing out of social service charges and an "immediate commitment" to pension increases—to £10 a week for single pensioners and £16 for couples. The statement added "the first task of a new Labour government would be to conclude with the TUC a wide ranging agreement on the policies to be pursued in all these aspects of our economic life and to discuss with them the order of priorities for their fulfilment." A further statement on the EEC's common agricultural policy followed in July. Although Labour's Programme 1973

provided the basis for the Party manifesto in February 1974, it was clear the Liaison Committee was going to play a key role in future Labour policy making.

Indeed, at the moment of taking office that March, the decision was taken to keep the Liaison Committee in existence and meeting every month with the Prime Minister and senior ministers in attendance. By the winter of 1975/76, it was to the Liaison Committee that the cabinet looked for help and guidance rather than to the left dominated NEC which went into relative eclipse. There was just one burning issue that the Party leaders and union bosses on the Liaison Committee refused to touch—a future incomes policy.

implementation

Between March and September 1974, the minority government's programme met with general TUC approval. This is not very surprising. In a TUC statement to the 1974 Congress, *Collective Bargaining and the Social Contract*, a check list was drawn up of what the government had achieved during its short spell in office. It amounted to a virtual item by item implementation of the February 1973 Liaison Committee statement on economic policy.

The old age pension increase in Denis Healey's first budget, putting the single persons up to £10 a week and a married couple's to £16 was the most obvious result of the commitments of the contract. The income tax changes to help the less well-off through increased allowances plus higher tax rates for those with large incomes were also in line with TUC priorities. There was the promise of the early introduction of a wealth tax and a gifts tax. An extra £550 million was provided for food subsidies, aimed at cutting the rise in food prices and in the retail price index. A freeze was imposed on all private and public sector rents. Not everything in the 1974 budget pleased the TUC, especially the increases in the price of coal, electricity, postal services and rail fares. Nor were the

defence cuts as large as the TUC wanted. The TUC was well satisfied by the rapid repeal of the 1971 Industrial Relations Act, which had become the urgent first priority of the new government. Within a few days of its taking office, the TUC had dispatched a draft repealing Bill to the Department of Employment. The measure, primarily drawn up by the TUC's legal adviser, Professor Bill Wedderburn, contained proposals for the new Conciliation and Arbitration Service as well as provision for unfair dismissal clauses, but Michael Foot, the Employment Minister, persuaded impatient union leaders that as the government lacked an overall majority in the House of Commons, it would be impossible to bring in all the recommendations at the same time. Nevertheless the general council did press hard for a change in the laws of picketing to be included in the proposed Bill to allow pickets to stop vehicles and peacefully persuade drivers not to cross a picket line. But again union leaders recognised such a controversial reform would not win the approval of the House of Commons. The Trade Union and Labour Relations Act, passed in the brief 1974 parliamentary session, repealed the Conservative measure but also ensured that unions did not lose any legal immunity by restating previous legislation. The TUC did express their opposition to the government suggestion that "conscientious objectors" should be protected from dismissal if they refused to join a union in closed shops. In the event, the opposition parties and the House of Lords amended the Bill to weaken the protection of the unions in industrial disputes and closed shops. Nevertheless the general council "expressed their appreciation" of government efforts to secure the successful passage of the Act on to the statute book by late July.

One other piece of legislation of direct interest to the TUC was also passed by the minority Labour government. This was the Health and Safety at Work Act, which had been previously introduced by the Tory administration. The TUC played a major part in crucial changes in the new safety law to tighten up and

codify existing legislation and make enforcement more effective. The unions managed to achieve the provision of workers' safety representatives and safety committees in the new Bill, though these were not to come into existence until October 1978 and, despite TUC protests, the government failed to give the reform any priority when it came to the provision of financial assistance.

On the whole, with the important exceptions of the law on picketing and the rise in nationalised industry prices, the TUC and the minority Labour government worked harmoniously together up to the October 1974 election. In the words of the TUC statement to Congress that autumn, "since taking office, the government have demonstrated their commitment to implementing the general approach (of the social contract statement of February 1973)." The new alliance between Party and unions was endorsed by the ensuing election victory.

2. TUC influence since 1974

The tale of TUC influence over the new Labour government is not a similar success story. It is a longer tale and we look at it here in terms of different components.

economic policy

Over the past four years it is extremely difficult to argue that the TUC has dictated Labour's economic strategy. Quite the contrary. Time and again union leaders have had to swallow unpalatable measures in the supposedly wider national interest. In the face of financial realities, the social contract suffered from severe setbacks. Economic growth proved illusory given ravaging inflation, a weak currency and massive balance of payments deficits. The first difference of outlook between the government and the TUC over economic policy occurred in spring 1975.

The union leaders pressed for a net increase of £975 million in public spending but the Chancellor moved in the opposite direction with cuts in planned levels of expenditure amounting to £1,000 million and a reduction in demand of £350 million. Healey admitted that his measures could not prevent an increase in unemployment over the million figure by the end of the year. The general council and the Liaison Committee expressed their disappointment but agreement was reached "to ensure cooperation in order to prevent unnecessary misunderstandings and divisions".

By this stage, the level of wage increases (well over 25 per cent a year for many workers) under conditions of free collective bargaining were arousing widespread alarm in government. It is important to remember that incomes policy was carefully avoided in drawing up the original social contract in opposition. Although the TUC agreed to abide by the Heath statutory pay limits until they expired in July 1974, they insisted that the unions themselves would agree on priorities for bargaining thereafter. In its statement to Congress that autumn, the TUC had stressed the need for a 12 month interval

between wage settlements, a low pay target of £25 a week, fringe benefits and moves towards equal pay for women.

But there was a vagueness about what the general level of pay increases should be. As the TUC argued "Over the coming year negotiators should recognise that the scope for real increases in consumption is limited and a central negotiating objective in this period will be to ensure that real incomes are maintained".

In November 1974, the general council sent out a circular to affiliated unions pointing out that it would be "far better to get prices rising more slowly, with money wages correspondingly not going up so fast, than to have prices and wages equating with each other at a higher and higher level, which would inevitably be self-defeating". Very few negotiators appeared to take any notice. In its review of the pay round in mid 1975, the TUC admitted that "there have been undesirable gaps in the observance of the guidelines" and it recognised that "if settlements in the next round of negotiations were pitched at the level of some of those negotiated towards the middle of the year, or if new settlements were made before the due date, the prospect of reducing inflation towards the end of the year and during next year would be seriously threatened".

a voluntary pay policy

By now the country was heading into an economic crisis with the pound under severe pressure and inflation rising rapidly. Union leaders like Jack Jones recognised catastrophe was staring them in the face. Support for a pay policy with norms began to grow rapidly in the TUC. With the real threat of a government imposed wage ceiling, the majority of the general council endorsed a £6 a week flat rate pay deal for everyone except those earning over £8,500 a year who got no rise beyond increments. The vote in the TUC was narrow. The government agreed to accept the TUC's own approach but in July the Remuneration, Charges and Grants Act was passed,

which gave ministers the powers to act should voluntary restraint fail.

In the summer of 1975 the TUC was forced to swallow some unpalatable truths about the state of the economy. The alternatives were an agreed and effective pay policy, massive borrowing from the International Monetary Fund or savage deflation. "Not a free for all but a fair for all—that is our policy", argued Jones at the TUC, where Congress endorsed the new pay policy by a two to one majority. But as the 1975 TUC statement, *The Development of The Social Contract*, made clear, the pay policy was only part of a wider programme of action by the government to cushion the less well-off from the full impact of the economic crisis. The unions said they wanted to see much more rigorous action to control price rises, the continuation of food subsidies to help low income families, the maintenance of rent subsidies, improvements in the social wage, manpower planning and industrial investment.

In the event, the government was unable to deliver the goods. Healey introduced two economic packages in September and December to "take the worst out of the expected winter increase in unemployment". Further action followed in February 1976 to ease the jobless crisis and boost investment; this was in the main due to TUC pressure. The TUC *Economic Review* in the spring called on the government to set a target of 600,000 unemployed by 1978. It also supported a wealth tax and demanded pensions should be 33 per cent of average earnings of a full time male worker for a single pensioner and 50 per cent for a couple. The total TUC budget demand was for £1,900 million boost (1.9 per cent of the GDP).

In fact, the budget was broadly neutral. The Chancellor proposed a trade-off between income tax cuts and a further round of voluntary pay restraint. If agreement was reached on pay "in the area of 3 per cent", then there could be an increase in personal allowances and thresholds. The cost of those conditional measures amounted to £920 million.

The general council said it wanted to see "progress on a wide range of issues such as prices, unemployment, import controls and investment" and argued the overall pay rise would have to be more than 3 per cent. A wage deal was eventually agreed after lengthy talks between union leaders and ministers with a ceiling of £4 a week increase and a floor of £2.50 a week, but it was clear that the government had been unable to agree to the wider demands of the TUC. Ministers were not dissuaded from the phasing out of food subsidies. Nor were they willing to restore public expenditure cuts or adopt the TUC growth rate targets. The only apparent concession to TUC pressure came in the decision not to increase school meal charges by 5p as planned at a cost of £35 million. As Hugh Scanlon bluntly told the special 1976 Congress called to endorse another year of pay restraint: "We did not achieve what we wanted. We managed to push the wage level up to what it is now, and we managed to get assurances that there would be no diminution of the tax concessions." The second year of pay restraint with the enormous gap between the level of price rises and wage increases involved a real cut in living standards, but as Scanlon told Congress, what alternative were the unions left with? "We honestly believed then—and still do—that no agreement would have meant a catastrophic run on the pound that would have made what has recently happened look like chicken feed." Congress endorsed the new, tighter guidelines by a massive 20 to 1 majority.

cuts and further cuts

However TUC backing for a further round of wage restraint failed to establish stability for sterling. Jim Callaghan, now Prime Minister, and Healey told the union leaders that the government must cut back its public sector borrowing requirement (PSBR) further if it was to restore overseas confidence in the economy. At its present level, the PSBR would involve higher interest rates and/or an increase in the money supply, both of which would severely damage govern-

ment policy. The Chancellor said he would have to cut PSBR by £1,000 million in 1977/78 and this would have to come from expenditure reductions rather than from higher taxes which would ruin the pay policy. Union leaders were told the desperate truth: "Early action was needed to prevent a run on sterling, which could force the UK to borrow from the IMF and force down the value of sterling to a level requiring even more severe public expenditure cuts. These could threaten the government's existence".

The TUC was not convinced and told Healey there was no economic justification for further cuts, because present expenditure plans provided for a massive switch away from the public sector from then until 1980. What guarantee was there that yet more cuts would secure foreign confidence? Healey agreed to a joint government-TUC working party to look at the problem of the sterling balances, but he did not bow to TUC pressures. Instead, he rushed through a planned package of cuts for 1977/78 worth £1,012 million and pushed up the employer's national insurance contribution by 2 per cent to raise a further £910 million—a damaging blow to the government's programme for industrial recovery. There was also a relaxation in the Price Code. The TUC swallowed the inevitable and replied: "It is vital to continue the social contract policies and we will continue to press for the implementation of these policies against the background of a desire to maintain a Labour government in office."

The government was compelled to turn to the IMF for help as the position of sterling continued to deteriorate. In October union leaders begged Callaghan not to succumb to IMF attempts "to force courses of action on the government that would impede growth" and they tried to stiffen cabinet resistance to IMF public expenditure cuts, suggesting that if countries with strong balance of payments surpluses (Japan and West Germany) failed to reflate, then the UK would be pushed into protectionism. The Prime Minister opposed such views saying that the IMF loan was essentially a bridging

loan until the economy returned to balance and that the size of the PSBR would have to be adjusted "even if no agreement on the IMF loan was reached".

The terms of the IMF loan entailed cuts in the PSBR of £1,000 million in 1977/78 and of £1,500 million in 1978/79. This meant reduced spending on roads, houses, hospitals and schools. The bulk of the saving came through the postponement or cancellation of capital programmes, and did not arise from reduced current spending. The regional employment premium was abolished—much to the distress of the TUC. Food subsidies were virtually ended. Government holding in BP was reduced to 51 per cent. A new selective investment scheme was introduced.

the TUC response

The TUC grumbled, but did not break with the government. Indeed, it even accepted that there was no real alternative to accepting the IMF £2,300 million loan with its onerous conditions. As it said: "It has to be accepted that there was no real alternative to seeking financial support abroad if the pound was to be protected against continuing downward pressure, the consequence of which would have been even more difficulties on the balance of payments and even more unemployment".

The 1977 TUC *Economic Review* expressed strong criticism of "the shift in emphasis towards monetary economics and an over-reliance on monetary targets" and called for a budget boost to the economy of £2,400 million, with £1,500 of the figure coming in direct tax cuts. Healey's budget amounted to measures costing £1,300 million in a full year with the promise of £1,000 million more in tax cuts, conditional on another year of voluntary wage restraint. But the union leaders were no longer able to go along with a further pay deal. At the 1976 Congress, the TUC had committed itself to a "planned and orderly return to voluntary collective bargaining", which came to mean acceptance of the

12 month interval between wage settlements.

During talks in the spring of 1977 between the TUC and senior ministers, no progress was made towards an agreement on pay. In July the cabinet decided to push ahead without TUC consent for a general level of wage settlements "well within single figures" to ensure a total earnings increase year on year of no more than 10 per cent. The economic package that summer brought an increase in the milk subsidy, a rise in child benefits and further financial aid to the construction, machine tool and ferrous foundry industries. Its total cost was £1,250 million in 1977/78 rising to £1,500 million in 1978/79 though it added only a net increase of £100 million to the PSBR. The Liaison Committee statement *The Next Three Years and Into The Eighties* put a brave TUC face on events with an optimistic prospectus for the future. It spoke of the "end of a period of falling living standards". "Our task is to ensure that the sacrifices of recent years have not been in vain", it argued. There was "reluctant acquiescence" in the 1977/78 wage round. Once the government stood firm over the firemen's pay claim and agreed to treat the police as a future special case, the unions did not attempt to wreck the 10 per cent guidelines, though the average rise in earnings was around 14 to 15 per cent, more than the government would have liked to see.

The 1978 TUC *Economic Review* took a realistically sober view of prospects. It spoke of the "daunting" magnitude of the unemployment problem. The TUC's budget proposals were for a £3,575 million net exchequer boost, half going in tax cuts, with particular help to the low paid through higher child benefits and personal allowances. Despite some criticisms, the 1978 spring budget was much closer to TUC thinking than any for four years. But the budget strategy failed to win the approval of the City of London and the exchange markets, with anxiety over the money supply and the rise in the PSBR. Buyers refused to purchase government gilt-edge stocks to

finance the deficit and the Chancellor was compelled to introduce a sudden mini-squeeze in early June to satisfy the speculators.

trade policy

In this area, the TUC failed to make any real impression on government thinking. The 1974 *Economic Review* had spoken of the need for import controls to help British industry by restrictions on manufactured and semi-manufactured goods. Import quotas were proposed on manufactures, with the immediate introduction of an import deposit scheme. The TUC saw such remedies as "only a holding operation to allow time for measures to promote changes in the structure and performance of UK industry to improve its long term competitiveness in the domestic and world markets". A similar demand was made in 1975 *Economic Review*. Some form of protectionism has been TUC orthodoxy for many years. Union leaders claimed that the threat of retaliation against British exports was much exaggerated and that international treaty obligations to GATT and OECD did not rule out the use of such controls to help industries facing particularly difficult structural problems as a result of excessive foreign imports. In October 1975 the TUC sent the Prime Minister a memorandum entitled *Imports and Jobs*, which laid down an alternative economic strategy, linking trade with industrial policy. Their assurance that they were not advocating "protectionism" but only "temporary and selective action to protect employment and give time for industry to restructure" failed to convince Harold Wilson, who told them Britain had most to lose from any return to protectionism and that the government had no desire "to protect inefficient industries", international reflation being the way to protect and create jobs.

The TUC was not impressed by this argument and its 1976 *Economic Review* forcefully renewed the case for import controls, arguing for a modification of free trade through the establishment of import penetration ceilings to ensure im-

ports rose no faster than total home demand. A similar call was to appear in all the policy documents of the TUC and the Liaison Committee for the next two years. It produced fairly meagre results. The textiles, clothing and footwear industries have been helped by quota restrictions under the multi-fibre agreement and other regulations, but the government has been reluctant to protect other manufactured goods, despite the sharp rise in imports in many sectors.

industrial policy

Here again TUC influence has not been very successful. The TUC was closely involved in the preparation of the 1974 White Paper, *The Regeneration of British Industry*, which outlined the proposed legislation for the creation of the National Enterprise Board (NEB) and the introduction of planning agreements. In talks with Tony Benn, the industry minister, the TUC had agreed to the idea of a joint planning committee with union representation to carry out the preparatory work for the establishment of the NEB. But in the face of stiff opposition from the CBI, the cabinet began to waver. Harold Wilson had earlier stepped in to ensure there was explicit endorsement of the mixed economy in the White Paper. The government had no intention of creating any massive new public body that would frighten business confidence.

The TUC welcomed the Industry Bill and its proposal to establish the NEB with an initial fund of £700 million, voluntary planning agreements and the provision of information about plans in manufacturing industry to both government and unions. But there were protracted talks between the Prime Minister and the TUC over the guidelines for the NEB. While Harold Wilson wanted to control the NEB acquisition of private sector companies, the unions advocated more freedom for the NEB to carry out its own strategy. In June 1975 the Prime Minister was insistent that disclosure of information by companies should not be compulsory. By the time the draft guidelines on acquisition appeared in March 1976 the govern-

ment had moved closer to the TUC position on the NEB's powers of acquisition, but the new Industry Act was far less radical and far-reaching than the TUC had wished for, thanks to pressures from the wished, due to pressures from the CBI, the civil service and within government. The biggest single failure was over the introduction of planning agreements, whereby all strategic decisions of large companies are reached by joint employer-union control. These instruments for planning were seen by the TUC as vital in the spread of union influence at company level through participation in corporate programmes covering hitherto untouched issues such as investment, export and import saving and pricing policy. Along with the rights in the 1975 Industry Act on disclosure of company information to union negotiators, this lay at the heart of the new TUC approach to industry. Yet with the exception of one for Chrysler, we have seen no planning agreements. As early as August 1975 when the Department of Industry published a discussion document, union leaders began complaining about "a slackening of commitment by the government". Eric Varley, now industry minister, assured the TUC the government intended to have talks about planning agreements with a range of industries, notably petrochemicals, motors, process plant, food and drink. The general council agreed that it was "unwise" to insist that planning agreements should be compulsory, despite concern that their voluntary character made them less likely to influence private companies.

The 1976 *Economic Review* said the TUC was "disturbed at the slow progress" towards planning agreements and demanded that they should be introduced for the top 100 firms by 1978. Nothing happened. As the 1977 TUC *Economic Review* grumbled: "No planning agreements have yet been concluded, even with the nationalised industries or with companies heavily dependent on state financial support; this does not indicate that the government have given planning agreements any priority".

Nor did the TUC manage to persuade the government to provide extra financial re-

sources for the NEB. The Act provided £1,000 million for the first five years, whereas the TUC wanted £1,000 million a year. From the November 1975 Chequers meeting, which established the tripartite industrial strategy, the government was anxious to work amicably with both sides of industry in solving Britain's manufacturing problems. The avowed aim was the creation of a "high wage, high output, full employment economy" with special tripartite working parties examining the ways of achieving those objectives in 39 sectors of the economy. The unions were closely involved in the industrial strategy from the start, though its results have so far proved disappointing, mainly because no way has been found of translating sector strategy down to plant and company level.

The TUC was pleased with the nationalisation of the shipbuilding and aerospace industries and the establishment of the British National Oil Corporation, but neither measure was undertaken just because of union insistence. The government failed to respond to persistent TUC demands for a new agency (like an investment reserve fund) to help finance industry. In July 1976 the Liaison Committee statement took up the cry: "our aim is to ensure that the financial system acts in the public interest and is genuinely responsive to the needs of manufacturing industry". But the investment reserve fund failed to emerge. The government merely set up a committee under Sir Harold Wilson to review the functioning of financial institutions with three TUC nominees.

manpower policies

The TUC exercised a more important influence on manpower policy, mainly because of the dramatic rise in unemployment from the middle of 1975. The Manpower Services Commission was established by the Conservatives in 1973 as part of a long overdue reform of the labour market strategy. The TUC has played a key role in all its activities, with nominees serving on its committees. While the TUC failed to persuade the gov-

ernment to go for growth and thereby cut unemployment, it did push (with some effect) various schemes to modify the jobs crisis. In early 1975 it urged the government to subsidise a job creation scheme for young people in depressed areas. This later became a major programme under the MSC. The TUC was also the main influence in the introduction of the temporary employment subsidy which has encouraged firms not to carry through threatened redundancies by subsidising their wages bill for up to 18 months. In the 1976 TUC *Economic Review*, the idea of a job creation subsidy in local areas of high unemployment was floated and has now become a major part of the government's manpower programme. Other micro measures like work experience and job release also owed much of their origins to TUC pressure. In the endless haggle over scarce resources, the TUC pressure for funds for training and employment measures has been considerable, though it is hard to conclude it proved decisive.

industrial relations

A key measure of the social contract was the 1975 Employment Protection Act or "workers charter", the origins of which lay in the detailed planning of the opposition years. In September 1974 the government published a consultative document setting out its essentials. These included provisions on guaranteed earnings; maternity pay and leave; time off for union and public duties; time off to look for work if made redundant; protection against discrimination for trade union membership and activities; improved unfair dismissal provisions; the establishment of ACAS; rights for union recognition and disclosure of information and the consultation with unions before declaring redundancies. On the whole, the TUC welcomed the proposals but it drew up a number of suggestions to improve them. In particular, it wanted dismissal not to come into force until an industrial tribunal had determined whether or not it was unfair. While ready to concede an employer need not reinstate a dismissed worker, the TUC wanted to ensure that the compensation for wrongful dismissal

should be very high—a year's earnings at least. The general council also wanted to deny unions not in the TUC (or recognised as *bona fide* by the TUC) the use of ACAS in recognition cases. It favoured a veto by the Employment Secretary on any redundancies disapproved of. Again the TUC urged action on the picketing laws. In March 1975 the Bill was published. The general council took up a number of points with the government. It sought provision to give the right to union representatives to release on full pay to attend approved courses and it sent various amendments to the Department of Employment which were eventually incorporated into the Bill, covering disclosure of information, maternity pay, remedies for unfair dismissal and guaranteed payments. But the most contentious issue remained picketing and here the TUC got nowhere in the face of stiff resistance from the Police Federation, backed by the Home Office. Roy Jenkins, then Home Secretary, stood firm over the case of the jailed Shrewsbury building pickets, despite a number of TUC delegations; this attitude was maintained over a number of attempts to clarify the law on picketing.

In other aspects of labour law, the TUC were more successful. The government agreed to allow the TUC itself to deal with safeguards for individuals in relation to treatment by their unions. Congress House established an independent review committee to deal with cases of alleged expulsion from a union, which came into effect after the repeal of a provision inserted by the Lords in the 1974 Trade Union and Labour Relations Act. The amended Act dispensed with the controversial Goodman amendments, which gave journalists the right not to belong to a union and supposedly upheld press freedom for editors, but the government agreed to come up with a press charter to protect that freedom.

In 1977, the TUC raised strong objections to many parts of the Criminal Law Bill. They argued that it did not safeguard trade unionists acting in trade disputes from charges of criminal conspiracy. The TUC also complained about the provisions on offensive weapons, resisting an officer

executing a writ of possession and the position of workers in quasi-residential property. Despite loud protests, the Bill reached the statute book. As the 1977 TUC Report said: "The government's overall response to the general council's representations has been disappointing, although their minority position in parliament has severely restricted their scope for making changes". Nor did the government agree to the TUC call for legal immunity to those who were involved in factory and plant occupations.

The labour legislation of 1974-1976 has undoubtedly helped to increase the influence of the trade union movement, but it has not replaced collective bargaining and is seen by most unions as a legal long-stop, a back up to their own efforts. The Grunwick case and others have revealed the lack of teeth in the legislation when it comes to dealing with a rogue employer who refuses to take a cooperative attitude to ACAS and the law. Two private members' Bills in the 1978 parliamentary session have been formulated to try and rectify some of the shortcomings of the Employment Protection Act, in dealing with union recognition.

industrial democracy

This was an early commitment of the social contract. The 1974 TUC report stated: "It is expected there will be a White Paper on industrial democracy later in the year". In July 1975 the government announced its commitment to legislation. In the meantime, it proposed the creation of a committee of inquiry to prepare the ground. The TUC disliked the idea, preferring a government Green or White Paper, but it eventually swallowed what was proposed. Jack Jones, David Lea (TUC) and Clive Jenkins (ASTMS) served on the Bullock committee of inquiry. This had tight terms of reference which specifically mentioned the TUC's own industrial democracy proposals and promised to report within a year so as to provide time for the government to legislate in 1976/77.

In February 1977 the divided Bullock committee produced its report. The

majority favoured a "2x + y" formula on a single board for private companies with over 2,000 workers, with the employee representatives sitting in equal numbers with the shareholder representatives, the worker members being chosen through union machinery. Bullock majority split the cabinet. Edmund Dell, the trade secretary, told the Commons that industrial democracy was "an essential ingredient of the social contract" but he promised wide consultation. The total hostility of the CBI to the proposals ensured their demise, but many ministers also doubted their practicality and were alarmed by the threat to worker freedom caused by elections only through union machinery. TUC leaders were alarmed to realise how far the government had retreated from joint 50/50 control. Dell told them that the government now favoured a two tier board rather than a unitary structure, with a phased movement towards equality of representation on the board. He favoured all workers being involved in the election of worker directors, not just union activists through the joint representation committee.

Shirley Williams was placed in charge of a cabinet committee to try and establish a consensus of views on how to proceed from here. The TUC warned her that "industrial democracy legislation will be a step backward, not forward, unless it is based on the independent strength of the trade union movement". The eventual White Paper represented a major climb-down. The promised legislation now intends to be flexible and mainly provides a legal back-up to a voluntary development between employers and unions. Even where workers insist on claiming their statutory right to representatives on the board, they are to be no more than one third of the total number. The joint representation committee has been preserved but it is to act for the first three or four years in a company before moving on to workers on the board. The key issue of union control over industrial democracy remains unresolved. The White Paper talks about parallel arrangements for non-unionists but this is clearly unsatisfactory. The TUC welcomed the government's tentative proposals; the CBI

retained its hostility. It is difficult to argue that the unions really dictated the government's position on industrial democracy. Britain lies far behind most other western European countries in the provision of worker participation in company decision making. What the social contract now proposes is a first step towards joint partnership in industry.

personal influence

It is undeniable that the TUC has exercised more influence over the Labour government since 1974 than in any comparable period of Labour rule, except possibly 1945-1951. TUC delegations are commonplace in Whitehall. Union officials at all levels have become much more involved in the administration of public policy as well as its formulation. The new quasi-governmental organisations (QUANGOS) have grown up, partly as a result of the social contract. They represent a practical manifestation of the new constructive outlook of the unions, with their willingness to shoulder wider responsibilities. Too much has been made of the financial rewards and perks of QUANGO jobs. Far more important is the gradual decline in the negativism and do-nothing attitude of the TUC. In many areas, most notably manpower policy and industrial training, union leaders like Hugh Scanlon and Harry Urwin have made an impressive contribution to public debate and policy making. But it is not just at national level that union officials are working on ACAS, the NEB, MSC and the like. In the regions and localities there has been a similar growth in union collective responsibility, where nominees are accountable to others for what they do. Much of their work is humdrum but the involvement of the unions in QUANGOS promises to be a fruitful by-product of the social contract.

what influence have the unions had ?

The story of the social contract since the return of Labour to power in March 1974 does not sustain the view that the TUC has dictated its policies. Certainly union

leaders have exercised more constructive influence than in the past and have won new responsibilities in a whole range of areas, but even this long overdue development did not always result in satisfactory advances for the union movement. All governments face a multitude of conflicting, diverse pressures on every issue and the TUC has invariably found itself out-gunned or out-argued by other lobbies.

It is hard to say that the TUC had much impact on the government's general economic strategy, except perhaps during its first period of office between the two 1974 elections. Time and again the TUC urged expansion and growth at almost any cost, while the government made a continual retreat down the deflationary road. For two years the TUC agreed on voluntary pay restraint after the unions had displayed an irresponsible attitude to wages, which helped push inflation through the roof. But union modesty over pay was not paralleled by any readiness by the government to concede anything to the watered down "alternative strategy" of import controls, public spending and directed industrial investment advocated by the TUC. The government laid much emphasis during its early years in power to the social wage (spending on welfare, housing, schools and other domestic needs from taxpayer's money) but this was in line with general Labour philosophy and had little intrinsically to do with the pressure from the TUC.

Nor did the unions exercise much influence on the development of the industrial strategy, though playing a part in its deliberations. The NEB was not provided with the massive resources demanded by the TUC. Planning agreements failed to materialise. The investment reserve fund never happened. There was no wealth tax, though always a promise of one tomorrow. TUC pressure was perhaps stronger on manpower policy, though the unions pushed less forcefully over high unemployment than they once used to.

Even in the new industrial relations legislation, envisaged by the original social contract, the TUC did not entirely win the

day. No progress was made in a reform of the unsatisfactory picketing laws. ACAS found it very difficult to work in the face of rogue employers like Ward of Grunwick. Industrial democracy dragged on as an issue for over four years. The government's eventual White Paper signalled a significant retreat from TUC initial hopes. The labour laws of 1974-1976 did hardly more than establish minimum standards of conduct in industrial life that have been commonplace throughout western Europe since the middle sixties. Lacking the legal sanctions to ensure enforcement on those who wished to defy them, the legislation looked surprisingly ineffective in practice.

The social contract has been a substantial achievement, nevertheless. Through the Liaison Committee, the Party, government and TUC learned to work in harmony. Much of the old, familiar negativism of the TUC began to disappear as a result of the new partnership. The foundations have been laid for a further advance into the eighties.

3. priorities for the eighties

It is difficult in a pamphlet to more than sketch out some limited areas where the social contract should grow during the next decade, but there is an urgent need to look some way ahead to draw up clear and realisable priorities. The shopping list technique of democratic politics has severe drawbacks. The day to day pressures faced by all governments tend to make detailed policy proposals drawn up in the comparative tranquility of opposition look sadly naive and impractical. Yet a failure to carry out manifesto promises breeds disappointment and anger among party supporters and apathy and cynicism among the voters. One of the most serious difficulties for democratic politics across the western world is the lack of popular involvement in the political process. Beyond the politicians themselves, journalists and a dwindling band of party activists, few people take any active interest in politics. The political party has become little more than an election machine. Young men and women with idealism turn to one issue politics rather than the Labour Party. It is admirable pressure groups like Shelter, the Child Poverty Action Group, the Anti-Nazi League and Amnesty International which articulate the worries and hopes of many on the Left. The time is long overdue when the Labour Party itself also began to make a wider appeal.

What we need to see is a new, more open and democratic approach to policy making within the Labour movement between the Party and the unions, which ensures ideas and proposals are open to critical scrutiny and argument. As we believe in the parliamentary road to democratic socialism, Labour can act only with popular consent for its policies. A similar approach is necessary within the Party. There should be no toleration in the movement for the Leninist principles of democratic centralism where rhetoric about freedom masks rule by an oligarchy, whether on the management committee of the constituency party or in the corridors of Transport House.

The Swedish Social Democrats and the Swedish manual trade union movement (LO) have developed a unique process of

policy making which provides the members at all levels with an important part in policy formulation with study groups, report backs and poll surveys, so that when the leadership finally endorse a new policy, it can be assured that it has emerged through an exhaustive system of checks and balances and thus achieved a remarkable degree of consensus not merely within the Swedish labour movement, but in society as a whole. There is no reason why the whole of the British Labour movement should not be closely involved in the making of policy. It must not be left to appointed sub-committees of the NEC nor even the Liaison Committee, the National Executive itself or Party Conference.

Perhaps a new system of democratic policy making might breathe some fresh life into the decaying structure of local Party organisation. Vital to such a development is the renewal of trade union activity at local Party level. The common sense and practical shopfloor experience would help to keep the rest of the Party in closer touch with the complex realities of modern society. We must work to make the Party more relevant to people who live and work outside the charmed circle of the local Party elites. This must mean no concessions to populism, but it does require a regeneration of the old links between Party and unions throughout the whole movement.

It is only in this wider context of how policy should be drawn up that we should approach a common programme for the eighties. The following suggestions are confined deliberately to the industrial and economic area, for it is here that Party and unions can find the most fruitful ground for active co-operation.

unemployment

We face the grim prospect of well over a million jobless in Britain (more than 6 million in western Europe) perhaps for the whole of the eighties. The issue of unemployment has not been given the top priority by any government (except perhaps Sweden) since the start of the

recession in 1974. The reason is obvious. Politicians have feared the dangers of inflation far more, so they have been most unwilling to resort to Keynesian methods of demand management to pull their economies out of recession. There are no easy solutions to unemployment, no panaceas and it would be an insult to the jobless to argue to the contrary. Moreover it is hard to see further job saving and creation measures so far adopted having a dramatic impact on the overall numbers out of work, though they can and are having a sizeable benefit for specific, disadvantage groups like the young. We need to see selective help coming from government for male manual workers with no skills and especially for blacks—the most deprived group of all.

The small firms job expansion subsidy should be expanded to provide national coverage. Through a judicious mixture of tax concessions and subsidisation, private firms with a small labour force should be encouraged to hire extra labour. Active encouragement must be given to launch new companies or projects to meet consumer demands in areas of high unemployment, particularly the inner cities, where jobs are very hard to find. The government itself, in alliance with local authorities and unions, should stimulate publicly owned enterprises with market potential. More emphasis must be given to job mobility. Workers need to be encouraged to move to where jobs are rather than wait until jobs come to them. The NEB should expand its activities into job creation, particularly in the private service sector. More worker co-operatives like Meriden and Sunderlandia would be welcome, particularly in the promotion of new technological based products with a future. While there is an urgent need for a new deal for married men with families out of work, they should also receive more generous long term income maintenance. Our social security system is not based on the assumption that unemployment is a permanent feature of our society. It now looks as though it will be for years to come, so we should reshape welfare benefits accordingly. The new social contract must make a major effort to quash the ugly myth that people are

unemployed because they are morally defective or through choice.

In economic and industrial policies, we need to work to achieve growth. But present international circumstances make it unlikely that Britain can go it alone with a stimulation of the domestic economy beyond 4 per cent annual growth rate. Import controls or work-sharing measures like the 35 hour working week, longer holidays, a ban on overtime (possibly not practical anyway) provide no complete answer, unless they go hand in hand with an improvement in overall industrial performance and much higher levels of productivity without any increase in net labour costs.

We face an added burden into the eighties. Many older industries have been propped up over recent years to hold off the evil day. This is already seen as a fatal policy. In textiles, shipbuilding, iron and steel and many parts of manufacturing (notably the motor car), Britain can expect further manpower cutbacks whoever is in power. Overmanning and the inefficient use of labour in an economy which is working at well below full capacity can no longer be tolerated on a permanent basis. If British industry intends to compete on world markets, it must become more efficient and not less. This means fewer rather than more jobs in any new investment programme. Restructuring will be the painful reality of the next decade. The social contract must ensure necessary technological change is carried out in a humane, planned way with the maximum help given to the creation of new industries and more imaginative manpower policies of re-training and redeployment. This is the best way to generate the money needed for earlier retirement and other work saving measures. Our difficulty will rest in trying to synchronise the contraction of industrial dinosaurs with the encouragement of new industry with potential.

Much larger public expenditure programmes will be needed, not to increase the size of the bureaucracy but to build hospitals and schools. Construction was badly hit by Labour's cuts and there

should be room for a marked improvement in capital spending. None of the range of measures suggested here will, by themselves or even together, exorcise the evils of unemployment, but they would help to give a greater sense of purpose to the government response. The social tragedy of unemployment can not be exaggerated. We see it in the crime rate, the growth of racialism, the threats of political violence. Above all, unemployment is an accumulation of individual tragedies. It is a scandalous waste of not only human lives, but the taxpayer's money. Over 3 per cent of the nation's gross national product is lost because of the revenue that is not collected and the income maintenance which is the bare minimum a civilised society can be expected to supply to those it has deprived of work.

manual non manual : towards worker equality

Britain remains a class divided, status conscious society. This persists as a serious barrier to a more prosperous future. No other country in western Europe (except for Ireland) treats its manual workers as badly as we do. They must work longer hours (43.1 a week) than anywhere else, except France, in order to earn an average industrial wage of just over £72 a week, before tax. Their pensions, sick pay schemes, holiday entitlement and job security are markedly inferior to what white collar staff (even shorthand typists) now enjoy. The time is long overdue to end this social apartheid in industry. For skilled manual workers (toolmakers, fitters and the rest) the position is even worse. Their skill wage differential has now virtually disappeared over wide areas of industry, so it is hardly surprising that many employers faced skill labour shortages at the height of the recession. The whole attitude of our society to manual work in industry is negative, not to say hostile.

But the problem goes to the heart of our national culture. Despite the rhetoric about the industrial strategy, we still have a poor attitude towards those who work in manufacturing—whether they be mana-

gers or workers. Time and time again the Treasury has sacrificed the interests of industry for those of the international money markets. Investors look abroad or into property for a quick gain, not to manufacturing. We pay lip service to the belief that Britain's future rests on the strength of our manufacturing base, but do little constructive to back up the honeyed words.

A major effort is needed to put an end to the harsh, unstable, inhuman monotony of shopfloor life. We must campaign for an end to status distinctions at the workplace—all the ludicrous, indefensible perks and privileges, the separate toilets, car parks and canteens that separate manual from non-manual, manager from worker. Unions must bargain for such changes, but government can set a good example in the public sector. The social contract also needs to take job contentment seriously. For too long this has suffered a lack of interest. We must learn to make all kinds of work more satisfying for those who do it, instead of allowing the sub-division of labour under scientific management to continue unchallenged. Of course, this does raise the real problem of pricing products out of the market, but in a more dynamic world economy there is a strong chance we can begin to change social attitudes to work. Automation is destroying thousands of jobs and it will go on doing so. It also tends to turn white collar workers into proletariat, with rigid work disciplines, shift work methods of production and monotonous work loads.

industrial democracy : joint control in industry

One way forward in industry—indeed the best one—is to make industrial democracy the crucial issue of the eighties. The hysterical response of employers to the Bullock report suggests that it will be difficult to achieve any consensus on any measures to encourage the active involvement of employed people in the decisions that directly affect their working lives. The government's White Paper (May 1978) is a sensible compromise, but even this will involve a hard road to the

statute book in the face of managerial hostility and worker indifference.

But companies in the private sector (as well as the public) must be compelled by law to treat their workers as equals with their shareholders in the running of the firm. This is no longer a Utopian dream but a political and social necessity. It is the trend all over western Europe. The exact forms that industrial democracy eventually take here need to be left to trial and error and so does the speed of arrival. We must encourage a diversity of methods and not lay down rigid formulae, but clearly drawn-up legislation is needed to set out general principles and provide a stimulus for action. The Industrial Democracy Bill must be framed in a flexible manner. It should ensure parallel developments down the company structure to the shopfloor where joint control becomes an acceptable fact of life, agreed by management and workers. Persuasion and good intentions will not be enough. The government must act as innovator in the public sector. The Post Office is already experimenting. Other nationalised industries (notably aerospace and shipbuilding) cannot be far behind. What we must avoid is any compulsion against the wishes of the workers in a company. At every stage, there must be room for a voluntary withdrawal from any industrial democracy system.

It would be rash to blind ourselves to the real difficulties of taking a great leap forward into industrial democracy. Up until now, our trade union movement has devoted very little of its energies to the subject. Understandable doubts persist about whether it is possible to establish a system of industrial self-government without destroying free trade unionism. We shall have to wait and see how the two can live amicably together. Many union leaders are right to be worried about their own organisations' ability to provide the financial resources necessary to give worker directors the skills and expertise to make their jobs worthwhile. Unions mostly operate on a shoe-string and there must be a limit to how much the state can provide in educational subsidies for training courses. Far too many

responsibilities have already been thrown on to the shoulders of unpaid, lay activists notably conveners and shop stewards. There is a misplaced belief in the unions about the virtues of self-help and muddling through and a distressing contempt among some for professionalism.

It is right we should insist that the recognised, independent unions are the means by which we introduce industrial democracy and sustain its existence. But the Party and the unions must never lose sight of the general ideals which lie at the heart of industrial democracy. It is about the distribution of economic power in society, which is essentially unequal. Consequently we must expect a determined fight by those organisations who wish to strangle industrial democracy at birth. But it is no longer a mad-cap idea. Thanks to the introduction of a more progressive educational system and the cultural changes which have taken place in popular attitudes to authority and tradition, we have much less tolerance than in the past for injustice, order and hierarchy. The rigid "them and us" divisions of industry will not be tolerated by workers for much longer. A more inquiring, self-expressive outlook on life can so easily degenerate into an amoral cynicism and a destructive response. What industrial democracy can do is direct the energies and aspirations of working people into the common good and bring a new, fresh meaning to factory life. The aim is not to create a monstrous work based society, but to allow individuals to play an active part in the shaping of their own lives. Freedom is far more than putting a cross on a ballot paper once every five years or choosing between different kinds of washing-up liquid.

Even where we stop short of full blooded industrial democracy, a new joint approach is needed in the management of industry. Planning agreements must not remain an academic abstraction. They need to lie at the centre not the periphery of Labour's industrial strategy. If the revival of manufacturing is to make any sense on the shopfloor, it will require rank and file involvement in key decision making. In Sweden—with the full back-up

of the law—the unions take part in the investment planning process of companies, even having a key voice in the establishment and design of new plant, so that the latest ideas of how to make work less boring and stressful can be implemented. There is no reason why we cannot see a similar development here. The prerogatives of employer power (whether private or state) must be openly challenged by those who work in companies.

A new social contract should examine the revolutionary Swedish proposal of worker funds, intended to transform the ownership of that country's industry in a generation from the handful of rich entrepreneurs to the entire workforce, represented through the trade unions. Profit sharing schemes and co-ownership should be encouraged. The Co-operative Development Agency must be given a top priority. Worker co-ops are a refreshing break from the old style public ownership which has really reached the end of the road. If state control means merely the replacement of one kind of unfeeling bureaucracy by another, it is not worth carrying through. We are not in politics to create a Stalinist state with a human face. The social contract should give active support to the concept of the mixed ownership economy, while insisting on the need for overall national planning by consent. In this way we can ensure that the current debate about industrial democracy does not narrowly concentrate on whether a handful of union nominees should sit on the main board of the larger private companies. In the search for a consensus on this, there is a danger that we will lose sight of its dual purpose—to liberate the energies and skills of working people and to ensure a more prosperous society.

incomes policy : the need for a fairer society

In a real social contract between Labour and the unions, incomes policy cannot be ignored. Almost all union leaders still mouth the platitudes about "free" collective bargaining at the same time insisting on the government managing the economy. But the defence of union

autonomy over pay determination has nothing to do with the wish of unions to create a more prosperous, socially just society. As Jim Callaghan told the 1977 TUC, "let us recognise that with free collective bargaining, the race is to the swift; the lion's share goes to the lions; and please spare me from the double talk of those who would argue that free collective bargaining with grossly inflationary wage settlements is going to produce more jobs or more socialism in our time." The victims of "free" collective bargaining are not the rich but the low paid, the old, the unemployed and those who do not belong to a union. The tragedy is that only a handful of union leaders (Sid Weighell of the Railwaymen, Tom Jackson of the Post Office Workers and, to a limited extent, David Basnett of the GMWU) recognise "free" collective bargaining for what it really is—a punk rock philosophy based on sectional self-interest and muscle power.

There are two sensible reasons why union leaders take this attitude to voluntarism. Since the war, incomes policies have originated as an attempt to impose pay restraint. They have been crudely drawn pay norms introduced during an economic crisis. By their nature, these attempts at implementing a more rational system of pay bargaining were emergency actions, dictated by the speed of events.

As a result, incomes policies brought with them serious anomalies and injustices. This has led to militant opposition in the unions and the collapse of pay norms under the flood of inflationary wage deals. There has never been the time and patience to construct a more flexible permanent structure to determine pay based on consent, which could prevent the return of a self-destructive free for all. Our chaotic bargaining system with its multiplicity of pay dates and bargaining units positively fuels the engine of inflation.

And here lies the second cause of dislike of incomes policies: they take away from unions the freedom to pursue their primary objective—wage determination. Without the liberty to bargain about

their members' pay packet, what is a union negotiator left to do? The push for higher money wages in a stagnant or low growth economy has become a dangerous virility test in the struggle for union recruitment in a highly competitive market. No union leader can be seen to favour wage moderation in those rough and ready circumstances since any meaningful incomes policy must involve outside interference in bargaining and a curb on negotiators.

But neither of these arguments are conclusive vindications for the wisdom of "free" collective bargaining. For too long the unions have concentrated their limited resources in pushing for higher pay. They need to widen the range for bargaining over all fringe benefits as well as manpower policy, investment decisions and the other issues that have been touched on in the sections on industrial democracy and manual/non manual inequalities. The more involved negotiators can become in these neglected subjects, which are directly relevant to the well being of workers, the more exciting and fruitful can become collective bargaining on the shopfloor.

It is not easy to draw up a blueprint for a future incomes policy that would win the consent of today's union leaders, but the process of argument and education must go on. Jim Callaghan showed real courage in his prophetic speech to the 1976 Labour Party conference when he warned disbelieving delegates that "we will fail if we think we can buy our way out by printing what Denis Healey calls 'confetti money' to pay ourselves more than we produce."

If we are to push ahead with an ambitious social welfare programme and the industrial strategy, pay cannot be left to take care of itself. Painful though it may be, the Party and unions together must discover a way between the horrors of the jungle free-for-all and the rigidities of a statutory incomes policy enforced by dictate in Whitehall. The social contract must work towards the creation of a voluntary agreement base on realism and a sense of social justice. The attempt

to reconcile freedom with responsibility in the tangled area of pay will be hard to achieve but the concerted action idea in West Germany and the solidaristic approach in Sweden demonstrate that there is a way forward far short of tyrannical imposition of a pay norm on unwilling people.

We need an annual public debate on the economy's prospects before the start of the annual pay round where all sides discuss and argue about the indicators—profits, prices, balance of payments, investment and wages. At national level we need to know the parameters of the possible. This should resemble a gigantic teach-in nationwide, perhaps on television. Two crucial lessons have been learned in recent years through painful decisions. Workers on the shop floor accept the need for pay guidelines and they recognise the ravaging effects of inflation. The blanket picture of a militant rank and file held back by sober union leaders is as much a nonsense as the caricature of the union bosses holding the country to ransom. This should make it more possible (despite the helter-skelter system of pay bargaining) for all sides (government, TUC, employers) to reach some understanding on the level of overall pay settlements, laying down the parameters.

Once more, the initiative should come from the public sector, where the government is the ultimate paymaster. David Basnett's idea of a public services committee to coordinate strategy and perhaps even synchronise pay dates needs to be built on. The fact is that whoever is in government there will always be a pay policy in the public sector. Cash limits and the public sector borrowing requirement ensure this. If unions refuse to recognise such a truth, it makes little difference. Governments will have to force a wage norm onto the public sector or tolerate a new bout of inflation. The danger is that by a rejection of any incomes policy, the unions will help to ensure a divisive outcome with the private sector going its own way, leaving the government to police its own domain. Discrimination between the two sectors

of the economy is the inevitable result of a free for all.

In any incomes policy it should be left to the negotiators at the bargaining table to decide on priorities over pay. We must find a way of providing real increases in purchasing power not wads of paper money losing value; this entails rises through higher productivity and efficiency as well as income redistribution. But clearly the tax system must be an important part of the equation. Take-home pay is what matters, not gross earnings. There is a vital need to defend the social wage but most union leaders recognise that limits of tolerance have been reached over the level of income tax being paid by workers. The burden on the low paid needs lightening by raising the tax threshold in line with inflationary trends and wage increases; but there must also be better incentives for skilled manual workers and management. Incomes policy could be one way of making work in manufacturing more attractive. Above all, it is the best method of trying to bring a sense of equity to the distribution of income and wealth.

We cannot treat incomes policy in isolation from broad social and economic objectives. It must become an integral part of a growth strategy. But is this compatible with a free society? Wage drift is an acknowledged phenomenon in countries with voluntary pay policies. Clearly companies with profits can reward their workers with much bigger rises than those in trouble. What we have to accept for the long term is that a two tier bargaining system is the best we can hope for, whereby a general increase for all is reached through a national bargain, leaving local negotiators to improve the position in individual workplaces, where possible. However, the government must lay down parameters of what is permissible. It has sanctions to ensure firms will not agree to inflationary wage deals.

This section of a programme of priorities is the most difficult to formulate but we cannot follow a policy of benign neglect over incomes. A pay policy, arrived at

by consent, is a crucial element in a strategy for democratic socialism. It is true we should not treat this as the way to national salvation or a panacea for all the class and status divisions of society but without any incomes strategy at all, the rest of the social contract stands little chance of success.

international solidarity

The new recession has hit the whole world, not just Britain. The common programme must not try and plan for a national economic recovery at the expense of other workers, particularly those who are struggling to survive in the Third World. Import controls are a means to save jobs here and lose them somewhere else. Such a "beggar thy neighbour" policy will drag the whole world back to the self-destructive trade war of the inter-war years. Universal impoverishment would be the result. There is already too much suffering in the world with hunger and disease. No socialist should champion a policy of economic self-interest. Our aim should be to find ways of creating a new international economic order which will tear down trade barriers and stimulate a more liberalising approach through the General Agreement on Trades and Tariffs (GATT), the World Bank, the Organisation for Economic Co-operation and Development (OECD) and other international organisations. At the same time Britain must fight for a more liberal and humane outlook within the EEC towards the less developed areas of the world. There is a danger that the EEC will grow as an increasingly rich man's club with high tariff walls round its boundaries to keep out the manufactured and semi-manufactured goods of other nations, while taking their food and raw materials as cheaply as possible. The admission of Spain, Portugal and Greece into the EEC should be a top priority and, allied with this, much closer fraternal ties between our Party and trade union movement and those of other countries.

It is not easy to follow an international policy in a world dominated by racial

conflict, ideological war and nationalist domination. Too often such an approach looks little more than blind rhetoric of good intentions. The new social contract should emphasise that a new outward looking strategy on trade and development makes practical as well as idealistic sense. It remains in everybody's interests that we see a world recovery. Escaping from the present uncertainty and muddle will be very difficult. The ability of nations to act together in common cause is much harder to achieve now than it was in the aftermath of the last war. We must turn our faces resolutely against any nostrums or panaceas that attempt to solve our own domestic problems at the expense of other people much worse off than ourselves.

the need for priorities

By the mid eighties Britain will be receiving around £4,000 million a year in extra revenues from the North Sea oil. As the White Paper on *The Challenge of North Sea Oil* argued, this "provides a unique opportunity for Britain to improve her economic performance, raise her living standards, move forward to full employment and develop as a socially just society". What should be done with the oil money? As Pierre Mendes-France once wisely remarked "gouverner, c'est choisir". But so far the Labour alliance has not really been prepared to do so. The lack of clear priorities may lead to the thin spread of the North Sea riches over a multiplicity of intrinsically sensible policies. The White Paper failed to give a lead. This must come from the Party and the unions. We have to decide whether to pour the money into "a continuing and long term programme for national recovery", in other words towards industrial regeneration; to spend it mostly on the social and public services, on schools, hospitals, roads and the like; or to cut taxes and put the money saved in the pockets of the tax payers to boost living standards and growth.

Clearly there has to be a balanced response between the different options, but

hard headed decisions need to be taken on what to do. The sober minded might argue the bulk of the revenue should be spent in debt repayment. What the revenue should provide is an opportunity to revive a level of economic growth which will belie the pessimists who believe we have come to the effective end of post-war expansion. The arguments against the idea of a separate North Sea oil fund are persuasive but we must avoid the dangers of a self-destructive spending spree that sacrifices long term policies for immediate gain.

Britain's future as a major manufacturing nation in the world is very problematic. During the seventies, one industry after another has faced an unpleasant reckoning through a convergence of difficult circumstances—generations of low investment, restrictive labour practices, poor management, indifferent sales service, social obstacles to progress at work. Understandably our response has been to try and save as much as possible from contraction in *ad hoc*, expensive rescue operations for huge enterprises like British Leyland, shipbuilding, Chrysler and the steel industry. The NEB has proved more of an ambulance wagon for the sick and dying than a necessary instrument of technological change in potential growth sectors.

The social contract should commit both government and the unions to a massive plan to revive British industry. The industrial strategy through the machinery of the National Economic Development Council has hardly gone beyond the drawing board. Its sector working party reports have failed to make any practical sense at factory level where they matter the most. We need an underlying commitment to growth in manufacturing through a revamped NEB provided with larger funds but more selective inducements for action. A major slice of the oil revenue should be used for this purpose. It may also be necessary to provide far more direct encouragement for the utilisation of new technological inventions into marketable commodities. There might be more readiness to take risks in new projects which have growth potential. Just as important is the need to expand

and modernise our manpower policies. The Manpower Services Commission is a good start but it lacks the sophistication and autonomy of organisations like AMS in Sweden and the Federal Institute of Labour in West Germany, which have far more reliable manpower intelligence for planning purposes. The grip of Whitehall needs to be removed from the MSC and there should be far more involvement by pressure groups and local authorities in its operations. In particular, the training services need to overcome the deplorable mismatch between supply and demand. We need to launch a comprehensive training programme for people of all ages which will actively encourage a more mobile society. Here oil revenue might act as a useful lubricant.

It is from higher economic growth that we can generate the wealth to build up our depleted public service sector. But in the meantime, we should press for the restoration of the capital expenditure cuts made over the past three years in two priority areas: the health service and schools. A boost for the badly hit construction industry would ease unemployment among one of the most vulnerable groups of manual workers. It would also provide a more civilised infrastructure for a growth society and ensure tangible evidence of the impact of oil revenue.

The common programme into the eighties should therefore deploy the revenues from North Sea oil in three major areas—industrial innovation, training and manpower planning and a new building programme for hospitals and schools.

a cautious note

The general lines of the common programme for industrial relations summarised in the previous chapters may appear over modest and too vague for many socialists, but we need to recognise the severe limits on the possibilities for constructive change.

In the past the "open alliance" between the Labour Party and the unions has foundered through severe conflicts of interest. Although almost all union leaders

and the activist minority who run the unions work for the Labour Party, the majority of rank and file trade unionists do not. Indeed, around a third actually vote Conservative. There is a real, intractable tension at the heart of our unions between the wider, political perspective of the activists and the narrower, tangible concerns of the workers who are overwhelmingly concerned that the union should deliver the goods at bargaining time and who are not committed to a radical change of society in a more egalitarian direction. As we know from the pioneering work of W G Runciman on relative deprivation, most people have limited terms of reference when they compare their own material position with others.

The unions exist and prosper in the eyes of their members, despite the link with the Labour Party, because they are seen as necessary organisations for collective self-defence in the face of employer power. In the last resort, it is the bread and butter issues that determine the effectiveness of a union. The real danger that union leaders have to avoid is any identification of the common programme with social control. They cannot act as policemen of the corporate state.

There is an added difficulty that the Labour movement needs to recognise. Sectionalism is a major obstacle to progressive ideas in the unions. Few union leaders can think beyond the questions that have an impact on their own members. The constant battle between the unions for membership, power and influence makes it hard to establish any constructive solidarity within the TUC except at times of severe crisis. The demand for freedom and autonomy made by most unions weakens the TUC's own ability to take any initiatives on behalf of the movement as a whole. Unlike the Swedish LO or the West German DGB, the TUC is not a highly centralised monolith that can issue directives and policies to a relatively compliant rank and file. Rather it is a confederation of divergent and often contradictory sectional interests.

The whole purpose of the social contract is to bring a fresh, more practical dimen-

sion to the work of the unions. It promises a welcome break from the over-familiar negativism of the trade union movement. A partnership between the two wings of the Labour movement in the creation of a fairer, more prosperous society is the realisable aim. Despite the existence of Labour governments for much of the post-war period, we have a long way to go before Britain becomes a more dynamic and classless country, where social status, inheritance, snobbery and prejudice no longer rule supreme. The habit of resisting change runs through all our institutions. Crosland's "conservative enemy" is still very strong.

As this pamphlet has argued, there is no room for complacency. Labour is not yet a natural party of government. Nor do the unions run the country.

conclusion

These are just a few varied themes for a common programme of priorities for the eighties under the social contract. Clearly the Party and the unions must work out their policy proposals on a far wider front to cover every major policy area—education, housing, taxation, health, transport, the environment, defence and leisure. The original purpose of the social contract was to bind the two parts of the Labour movement in a single minded objective—to ensure an irreversible shift in the balance of power and wealth to working people. This will remain the aim of the eighties, but it needs to be stressed as a necessary, democratic means to an ideal of human freedom.

At every stage we need to balance carefully liberty with equality and accept the burden of winning the arguments by reason and peaceful persuasion, not coercion in any shape or form. The social contract has never been about tyrannical control by the big battalions but a civilised way of challenging the real centres of unaccountable power and privilege in our unequal society. We must learn to tame the giant monopolies and harness their activities to human needs.

But our concern with bigness must not end with the private sector. We must also be on our guard against the over-mighty power of the state (particularly the secretive and negative behaviour of civil servants) with a real rather than phoney commitment to open government. The man in Whitehall does not always know best and his often arbitrary and supercilious conduct has nothing whatsoever to do with socialism. We need to replace the indefensible secrecy of our civil service at all levels by legislating for people's right to know.

Collective action should be an attempt to widen the opportunities for all to enjoy to the full their dreams and aspirations. It is about opening the way to individual self-fulfillment, not narrowing the parameters of personal freedom. This is why the social contract needs to encourage a diversity of ownership and control in a basically market economy tempered by a sense of social justice. The old French revolutionary trinity of liberty, equality and fraternity has lost none of its appeal in our modern, complicated and troubled world, but let us never confuse means with ends.

It is often hard to hold much faith in the promise of the future as we look around at our own seemingly intractable problems—urban decay and poverty, industrial decline, pollution, cutbacks in public spending, the cost of bureaucracy, racial intolerance, rising crime and violence and the new puritanism that threatens individual freedom. Nor in the century of Auschwitz and Gulag can we rest assured that mankind will not one day destroy itself in a nuclear catastrophe. The degradation and brutality perpetrated by man against man around the world should chasten all but the angelic. The perversion of socialism in many countries, especially east of the river Elbe, has encouraged the enemies of democratic socialism to smear us with the communist tar brush. This should be stoutly resisted. We must oppose resolutely tyranny whatever form it takes.

Yet we cannot escape from our traditions and historical experience nor wipe the

recent fabian pamphlets

research series

320	Nicholas Falk, Haris Martinos	Inner city	45p
321	David Eversley	Planning without growth	45p
322	Paul Lewis and others	Inflation and low incomes	50p
327	Howard Glennerster (ed)	Labour's social priorities	55p
328	Anne Corbett	Whose schools ?	40p
329	Rosalind Brooke	Advice services in welfare rights	60p
331	Chris Ralph	The picket and the law	60p
332	Roy Manley, Helen Hastings	Influencing Europe	55p
333	Nicholas Bosanquet	Economic strategy: a new social contract	75p
334	Carl Wilms Wright	Transnational corporations	75p
335	Vincent Cable	Import controls: the case against	70p
336	Christopher Parsons	Finance for development or survival ?	75p
337	Robin Cook, Dan Smith	What future in NATO ?	75p

tracts

430	Jeremy Bray, Nicholas Falk	Towards a worker managed economy	30p
438	Anthony Crosland	Social democracy in Europe	55p
442	William Brown, Keith Sisson	A positive incomes policy	40p
444	Sue Ashtiany	Britain's migrant workers	50p
445	John Tilley	Changing prospects for direct labour	40p
446	John Gyford, Richard Baker	Labour and local politics	50p
447	Muir Gray and others	A policy for warmth	55p
448	Lisanne Radice	Reforming the House of Commons	50p
449	Rod Northawl, Richard Corbett	Electing Europe's first parliament	60p
450	Colin Phipps	What future for the Falklands ?	50p
451	Dianne Hayter	The labour party: crisis and prospects	60p
453	Nicholas Falk	Think small: enterprise and the economy	75p
454	Society of Labour Lawyers	Legal services for all	70p
455	David Watkins	Industrial common ownership	65p
456	Chris Smith	National parks	65p
457	Tom Crowe, John H. Jones	The computer and society	50p

young fabian pamphlets

37	David R. Allan	Socialising the company	50p
38	Young Fabian steel group	Crisis in steel	30p
42	Martin Smith	Gypsies: where now ?	40p
43	David Heald	Making devolution work	70p
44	Melvyn Westlake	World poverty: the growing conflict	70p
45	Geoff Harris	A wider Europe	50p
46	David Elliott	The Lucas Aerospace workers' campaign	50p
47	Tom Schuller	Education through life	65p

books

R. H. S. Crossman and others	New Fabian Essays	cased £1.75
Brian Abel-Smith and others	Socialism and affluence	paper £0.60
Peter Townsend and others	The fifth social service	paper £2.50
George Cunningham (ed)	Britain and the world in the 1970s	cased £3.00

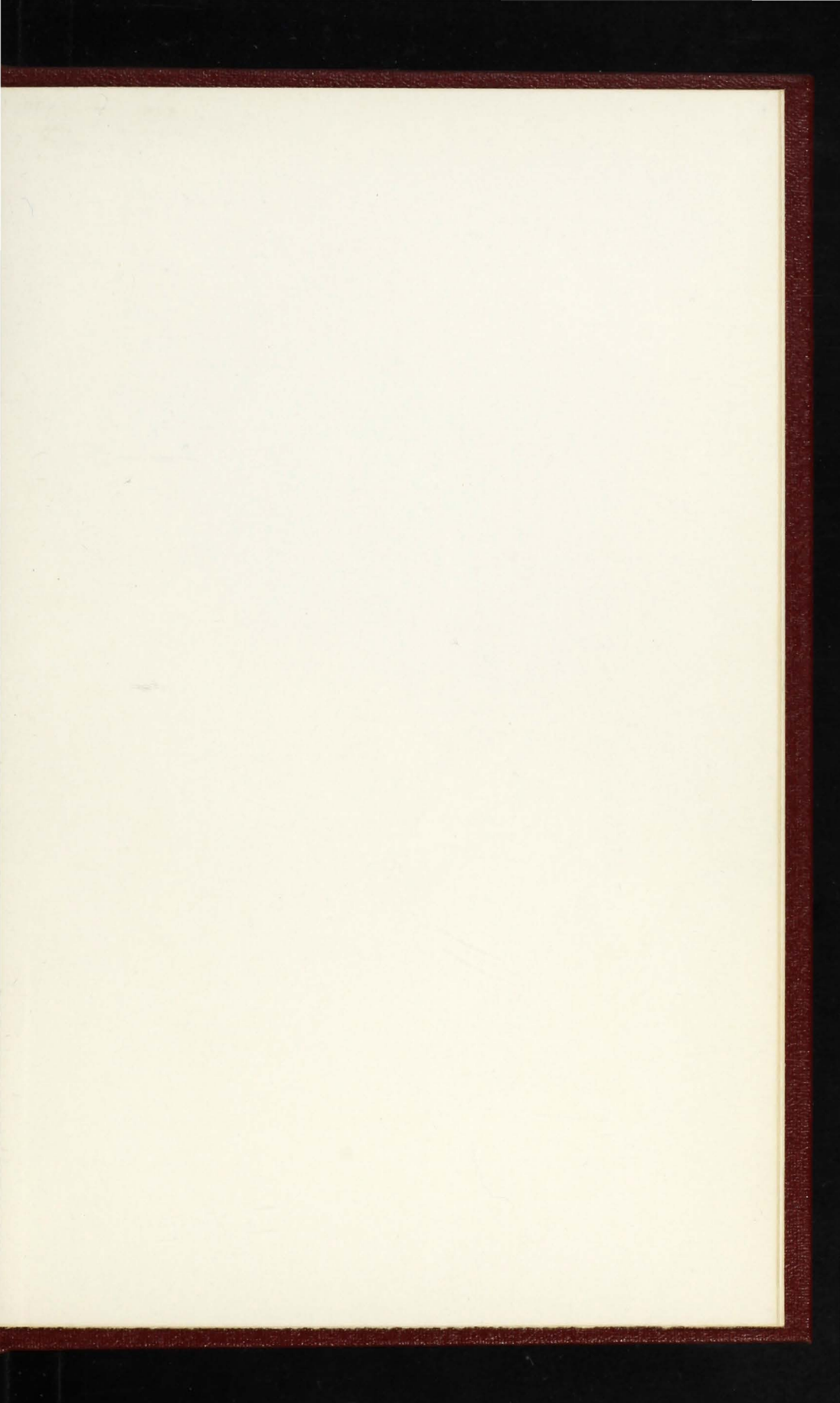
Labour and the social contract

After 4 years of Labour government and its special "contract" with the trade unions, this pamphlet measures what was gained by each side of this bargain. It traces the background to the agreement, forged when the Labour Party was in opposition, and assesses the degree to which the unions have influenced the actions of the government. During the March to October 1974 minority government, much was achieved both in social welfare and in the repeal of the worst parts of the Tory industrial relations legislation. Since then, Robert Taylor argues, the government has acted more independently of TUC pressure despite the acquiescence in pay deals won from the unions. The author believes that a new social contract is an essential ingredient in the move to a fairer, more humane and socialist society and he sketches out the policies and priorities it ought to cover.

fabian society

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of socialist opinion within its ranks — left, right and centre. Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It puts forward no resolutions of a political character. The Society's members are active in their Labour parties, trade unions and co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self governing and are lively centres of discussion and debate and occasionally undertake research.



...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...

Future work

The ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...

The ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...
...the ... of ... and ...

