

Foreign Labor Developments



British collective bargaining: a decade of reformation

WILLIAM A. BROWN

During the 1970's, two of the most distinctive features of British industrial relations were called into question. One was the informal way in which much bargaining was conducted—few written agreements and little sense of management strategy—and the other, the tradition of “voluntarism” under which collective bargaining was largely dissociated from the law. Management and unions, with the vacillating intervention of government, have been reorganizing themselves in the most radical period of change since World War I.

Before describing and accounting for the transformation, it is necessary to say something about its economic setting. Table 1 summarizes a number of relevant indicators for the 1960's and 1970's and shows a comparison with the economic situation in the United States. Both British and American economies have experienced a slower rate of productivity growth than their international competitors, and both have seen the rate fall over the period. For Britain, a high dependence upon international trade has made this particularly serious. Coupled with a much faster acceleration in price inflation than in the United States, the consequences would have been even more distasteful had it not been for the rapid development of North Sea oil. But, while helping to balance the foreign trade account, this has proved a mixed blessing. By strengthening sterling as an international currency it has weakened Britain's competitive position further and the country enters the 1980's with its manufacturing industry in deep trouble. Unemployment, which has risen steadily during the 1970's, will undoubtedly climb much further.

By the end of the 1960's, British industrial relations were in acute need of reform. More damaging than the high level of strikes in certain industries was the gener-

ally inefficient use of manpower throughout the economy. A Royal Commission under Lord Donovan argued in 1968 that the problem was essentially an inappropriate bargaining structure and that the solution lay with employers themselves. They should face the fact that their multiemployer bargaining arrangements might be ineffective and, if so, they should set about concluding single-employer agreements.

Development of the dual bargaining structure

Employers acted accordingly. By 1978, over two-thirds of employees in manufacturing depended principally upon single-employer arrangements for their pay. Some of the larger multiemployer agreements, such as those for engineering and chemicals, have been altered so that their pay rates only affect the low-paying firms. In these cases, the role of the employers' association has moved from one of negotiating with unions toward advising member employers and dealing with government on their behalf. But this has not been a total transformation. The bargaining structure of the British private sector, increasingly taking a form that would be familiar to Americans, is a dual structure, with multiemployer agreements in industries where ease of entry is greater (such as in construction, clothing, road haulage and catering) and with single-employer arrangements predominating in industries where large firms rule. And Britain, like America but in sharp contrast with continental European countries, is a country of giant firms. About half of all British employees in the private manufacturing industry work for organizations with more than 20,000 employees. (Indeed, one of the most interesting questions for the future of the British bargaining structure is how far these giant organizations centralize their bargaining arrangements. Some show great reluctance to allow the bargaining unit to extend beyond the individual factory or, at most, the product division. But in a crowded little country with an interventionist government, the pressures for centralization are considerable.)

The professionalism of industrial relations management has increased rapidly along with these changes in bargaining structure. Ten years ago it was unusual for a board of management to have a director whose sole responsibility was for personnel and industrial relations

William A. Brown is a professor and director of the Industrial Relations Research Unit at the University of Warwick, Coventry, Great Britain.

matters, but it is now normal. In the majority of workplaces, grievance procedures which were often *ad hoc* and ambiguous have been replaced by written procedures. One of the most important areas of reform has been payment systems. Payment-by-results or incentive wage systems continue to be popular, but they are less often the highly fragmented piecework schemes that used to cause so much difficulty, and there is much wider use of work study to back them up. Of particular importance has been the rapid spread in the use of job evaluation techniques in establishing the internal pay structures of bargaining units. Almost one-fourth of the manufacturing work force was covered at the end of the 1960's and well over a half is covered now. The combination of single-employer bargaining and better regulated payment systems has greatly improved the control that negotiators have over earnings. Whether or not their pay deals are considered inflationary, they at least arise from deliberate negotiation rather than aimless wage "drift."

Managers report that a major factor bringing about this increased professionalism has been the great increase in governmental intervention during the decade. Statutory incomes policies and the creation of legal liabilities for a diversity of matters (including unfair dismissal, sexual discrimination and health and safety) have forced employers to create specialized industrial relations functions. In addition, American-owned firms in Britain have undoubtedly had a catalytic effect in speeding change among the British through their preference for single-employer bargaining and their use of such techniques as job evaluation and productivity bargaining.

It was noted earlier that many of the major employers' associations have ceased to function primarily as pay negotiators and instead are used by their members as advisers and lobbyists. The one employer organization that has grown substantially in stature during the 1970's is the Confederation of British Industry. This umbrella body has fought some effective battles for its members to modify government action, most notably in neutralizing the Labour government's proposals to create statutory worker directors.

However, the confederation is still very weak by comparison with its European counterparts and the sources of its weakness are to be found back in the 19th century. By comparison with other countries, industrialization in Britain came early and it came slowly. The union movement that the first British factory owners had to deal with had a craft rather than a Marxist tradition. It was more concerned with regulating jobs at the place of work than with transforming the society outside. Elsewhere in Europe, a more rapid industrialization and a more radical challenge forced employers into firm coalitions aimed at preserving their preroga-

tives at the workplace. They achieved this through strong industry-wide agreements. The importance of employer solidarity and discipline has never been appreciated to the same extent in Britain. Probably the single most important question for the future of British industrial relations is whether this will change.

Compared to American employers, British employers, with few major exceptions, have not sought to avoid collective bargaining. It is unusual for an employer to take active steps to exclude trade unions, and both Conservative and Labour governments have frowned upon such actions. Thus, the response to the upsurge of trade union activity at the workplace that came with full employment was not to resist but to negotiate. The shop stewards, who were elected representatives of the workers, had developed from the craft traditions of the union movement. At first, management's dealings with them were often somewhat furtive but, with the encouragement of the Donovan Commission and the development of single-employer bargaining, they have come to play a more formal role. In much of manufacturing industry, and elsewhere, stewards have become the principal negotiators for unions. Their procedural position has been assured, they are entitled to hold meetings on working time and they are given substantial administrative support by management.

Union growth accelerates

This support for shop stewards has encouraged the rapid growth in trade union membership which, as table 1 shows, is in contrast to the American experience. There has been a widespread change in employer attitudes to the union shop (in Britain called "closed" shop). Until the 1970's, the closed shop was largely enforced by the unions. Now it is increasingly being administered by management, primarily because recent legislation makes the employer vulnerable if someone refuses to join a trade union. The closed shop spread rapidly during the 1970's and now covers about a half of all trade unionists (one-fourth of all employees). Also important in terms of union security has been the spread of dues checkoff arrangements. From being rather unusual at the start of the decade, these arrangements probably now cover three-fourths of union members.

In other respects, however, employers' involvement in union administration has raised major problems for the unions themselves. The typical shop steward is responsible for about 40 union members and the discharge of his duties takes a small part of his working week. But, especially where work forces are greater than 500 employees, it has become normal for there to be at least one senior shop steward who, although elected by the work force, is paid by management to attend to trade union duties full time. The number of such posts has roughly quadrupled over the decade, and they far out-

number the full-time officials who are employed directly by the trade unions. The problems raised by this development have been primarily constitutional. Everyday working relationships between full-time shop stewards and full-time union-employed officials are generally very good; their jobs are complementary. But it has often proved difficult for unions to alter their constitutions in order to involve these key negotiators in policymaking.

Although there is still a long way to go, British unions have progressed considerably towards adapting their manner of government to be more appropriate to less industry-wide bargaining and more State intervention. Shop stewards and lay activists have been brought into decisionmaking up to the national executive level. Although their coverage is haphazard and often overlapping, the number of unions has been greatly reduced, with the largest 20 containing over three-fourths of all trade union members. Their umbrella organization, the Trades Union Congress which covers 90 percent of all unionists, has gained authority during the 1970's. A major triumph of the congress was in defeating legislation—in this case Prime Minister Edward Heath's Industrial Relations Act. During 1975 and 1976, the congress designed and effectively ran the most successful post-War British incomes policy, the Social Contract, in return for a number of legislative concessions such as improved provisions for maternity leave.

Government treads lightly

The government has also played a crucial part in the transformation of British collective bargaining although it has not done so readily. Whatever their political complexion, successive governments have gone to strenuous lengths to avoid being caught up in the maelstrom. (Two prime ministers, Heath in 1974 and James Callaghan in 1979, found public sector strikes to be their political downfall.) And yet governments have, for three distinct reasons, been unable to avoid getting involved. They have been involved, first, as employers themselves, second as legislators, and third, as regulators of the economy.

The public sector in Britain is large by American standards, although not by European standards. It covers, for example, the energy, transport, education, health, aircraft, and water industries; in all about 30 percent of the work force, virtually all of whom are in trade unions and covered by collective agreements. For many decades the bargaining was conducted in a fairly sedate way. The general rule was that the various parts of the public sector kept their pay roughly in line with each other and slightly behind private industry. With a few exceptions (as in coal mining), the national union officials were in control. But in the late 1960's, efforts to increase productivity led to the introduction of pay-

ment-by-results in many public services and utilities. Coupled with the start of worldwide inflation, this led to an upsurge of shop steward activity and an unprecedented willingness to take strike action. Nurses, sewage men, pilots, civil servants, teachers, power station workers and many others thought the unthinkable and disrupted the public.

The immediate result in the early 1970's was that pay in the public sector surged ahead of that in private industry. To some extent the subsequent massive cuts in public spending have brought pay more into line, but the basic problem is unresolved. How can collective bargaining proceed in the nonmarket sector when the work force is strike-prone? Prime Minister Callaghan innovated a Commission on Pay Comparability which used job evaluation techniques to link public sector pay to that prevailing in the private sector. It brought a degree of peace but has now been abolished by the current Conservative government as being too inflationary. It will probably be reintroduced under a different name in the future. However, the Trade Union Congress and governments are moving, albeit crabwise, towards a coherent policy for the public sector. As the effective number of bargaining units within it diminishes, the chance of more orderly collective bargaining increases.

Government was first drawn into major industrial relations legislation by what was seen as a serious strike problem in the 1960's. As table 1 shows, the British strike problem, though fewer in days lost than the United States, was characterized by a relatively large num-

Indicator	1960-64		1965-69		1970-74		1975-79	
	United Kingdom	United States	United Kingdom	United States	United Kingdom	United States	United Kingdom	United States
Productivity ¹	2.3	3.5	2.7	2.0	2.0	0.5	1.5	1.5
Cost of living ² (retail or consumer price indexes)	3.2	1.2	4.3	3.4	9.6	6.1	15.6	8.1
Unemployment (percent of total workforce)	1.7	5.7	2.0	3.8	3.0	5.4	5.6	7.0
Trade unionism (members as percent of total workforce)	42.9	22.6	43.2	22.7	48.9	22.0	52.5	...
Strikes (number per 100,000 employees)	10.8	5.7	10.0	6.9	12.7	7.2	10.4	6.2
Work days lost (per 100 employees)	14	30	17	53	62	57	53	40

¹ Indicates average annual percent change of Gross Domestic Product per employee or output per person in private sector.

² Average annual percent change.

Note: Data for United Kingdom are from Department of Government Gazette; data for United States are from the *Statistical Abstract of the United States*.

ber of short strikes. At the start of this century, legislators had sought to keep industrial disputes out of the courts by giving trade unions immunities from prosecution for the use of sanctions. Subsequently, bargaining developed with little contact with the law. The first big departure from this pattern came with the attempt of the Conservative government in 1971, in conscious imitation of the United States, to encourage legally binding agreements and to discourage the closed shop and unconstitutional strikes. This attempt, the Industrial Relations Act, was largely a failure. Trade unions refused to register under it, attempts to prosecute them were acutely embarrassing, and management carried on much as before.

It would not be surprising if the following Labour government had simply restored the *status quo ante*. What was a further major departure from British tradition was that, besides doing this, the government also introduced a varied mixture of fresh protections for trade unions and employees. At the request of the Congress, and in return for pay restraint, legislation was introduced to encourage shop steward training, involve workers in the monitoring of health and safety at work, improve maternity leave, and to increase pay. The tradition of "voluntarism", it seemed, was truly dead. Unions which previously sought to achieve gains through collective bargaining were turning to the legislation they had previously shunned.

Consequently, it's not surprising that with the return of a Conservative British government in 1979 came an attempt to roll back some of these gains. The Employment Act of 1980 reduces some statutory protections, removes powers to force employers to recognize trade unions, and encourages the use of ballots in trade unions. Two provisions in the act are likely to draw the anger of trade unions: one applies more stringent rules to the introduction of a closed shop, the other seeks to limit the number of pickets during a strike. But these provisions have been drafted with a degree of caution that will probably deny them much impact. However much the electorate may demand action to reduce in-

dustrial unrest, governments are learning that their direct involvement may create more problems than it solves.

More than anything else, the rise in British strikes during the 1970's was caused by inflation. The inflation may be worldwide in origin but the British system of collective bargaining has proved itself a powerful amplifier of that inflation. In a fragmented bargaining structure, strong unions tend to chase up prices simply by seeking to preserve real incomes. At frequent intervals during the last 15 years, British governments have intervened in the bargaining process with recipes, threats, and inducements. Success has usually been short-lived, and the political price has been high. The arrival of North Sea oil revenues has temporarily removed the pressure from foreign creditors to embark on these thankless interventions and Prime Minister Margaret Thatcher's hopes have shifted to the use of a stringent monetary policy. But the policy also brings imbalances to Britain's position in the world economy, and it is questionable whether the accompanying high unemployment will reduce the desire of the employed to protect their real incomes. The question is not whether there will be further attempts at incomes policy but whether such attempts will benefit from past experience.

The best grounds for optimism come from the evidence outlined here on the reform of the British bargaining structure. In both private and public sectors bargaining units are becoming more clear-cut and pay determination less diffuse. In its Social Contract policy, the Trade Union Congress showed itself capable of keeping the very diverse unions in its membership to a remarkably strict policy. If the Confederation of British Industry can develop similar unity of purpose and action among employers, there is a chance for the coordination of pay bargaining necessary to prevent the spiraling of wages. The deeply rooted British reverence for free collective bargaining should not be confused with a desire to keep it fragmented. The role of government will increasingly become one of broker to some form of centralized negotiation. □