

## Democracy in the workplace - The Bullock Report revisited

*A joint meeting of the H&P Trade Union Forum and the Centre for Contemporary British History at the CCBH summer conference on 'Reassessing the Seventies', 9<sup>th</sup> July 2010, Institute of Historical Research, Senate House, University of London.*

*With **Lord David Lea**, former TUC Assistant General Secretary and member of the Bullock Inquiry 1975-77, in conversation with **Peter Ackers**, Professor of Industrial Relations and Labour History, Loughborough University and member of the H&P Trade Union Forum.*

David Lea described himself, with some humour at the apparent contradiction, as a 'trade union intellectual' and recalled the extraordinary background to the establishment of the Bullock Committee in 1975 as part of the 'Social Contract' between the government and the powerful trade union leaders of those days. **[see endnote on the Social Contract]** Just how radical this two year inquiry (1975-77) was, can be seen from its terms of reference, a copy of which was circulated at the meeting:

Accepting the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors, and accepting the essential role of trade union organizations in this process, to consider how such an extension can best be achieved, taking into account in particular the proposals of Trades Union Congress report on industrial democracy as well as experience in Britain, the EEC and other countries. Having regard to the interests of the national economy, employees, investors and consumers, to analyse the implications of such representation for the efficient management of companies and for company law. (Department of Trade Green Paper, based on the Bullock Report 1977)

Membership of the Inquiry team included senior directors of major companies and banks as well as TUC and sympathetic academic nominees. It was chaired by Lord Alan Bullock, an eminent Oxford historian.

Lea explained the significance of these TUC proposals for the worker director model of industrial democracy. For this was a fundamental change from its traditional stance of being opposed to taking any responsibility for the management of companies. This had been personified by the highly influential General Secretary from 1960 to 1969, George Woodcock (1904-1979), who was a firm believer in 'voluntarist' industrial relations, with union representatives 'accountable to members and no one else'. Many on the General Council of the TUC still clung to this approach. Some were influenced by the then industrially-important Communist Party, who were ideologically opposed to any 'abandonment of the class struggle' or any wage restraint such as the Social Contract required. Many union leaders of the 'left' took their cue from them. But, Lea explained, it was not a simple 'left'/'right' argument. Influential 'right' union leaders as in the EETPU, the late Frank Chapple, were also firmly opposed to the unions becoming embroiled in the running of companies, as well as to government income restraint policies. Thus both 'left' and 'right' were committed to the flourishing system of 'free collective bargaining' in which most unions then had a very strong bargaining position. Even

those who favoured increasing union reach into the strategic direction of companies and industries (e.g. redundancy programmes), saw collective bargaining as the best method to secure joint regulation of broad company strategies for workers. They viewed with suspicion the continental works council route as a rival channel of representation, which in their eyes had a reputation for undermining union collective bargaining strength.

Lea, who as a TUC 'civil servant', was closely involved in those debates, believed that without the enormous influence of Jack Jones, the General Secretary of the T&GWU, the TUC would not have agreed to take such a positive role in Bullock Inquiry. His left-wing credentials neutralized left opposition to the worker director approach. In the wider context of the Social Contract negotiations with government leaders (Dennis Healey and the late Michael Foot), the small group of senior union leaders who led for the TUC were won over. **[see endnote on Jack Jones]** So, Jack Jones, Clive Jenkins (ASTMS), and David Lea were able to take an active part in the Bullock Committee. Lea had long been enthusiastic, and contributed the Report's formula for equal worker participation on the main boards of large companies, '2X +Y where X is an even number greater than Y'. In his view, they were steering between the rival ideologies of the trade union 'class warriors' and the City of London. For City interests were totally opposed to any dilution of boardroom control or of the primacy of shareholder value, stressing the risks of disclosure of confidential information on share-price sensitivity. Alongside this, most employers were hostile to having any worker representation on their boards, in case it interfered with their formation of 'cosy cartels' in collusion with the financial sector.

The Committee's terms of reference also required them to study the European experience and this was quite influential in their deliberations. West Germany had had its system of Co-Determination (worker representation on second-tier, 'supervisory' boards) imposed in 1947 by the USSR and the UK, but with a booming economy, this had come to be seen as a successful model. Lea recalled that a major issue in their deliberations was over whether the workers' representatives should sit on the lower of a two-tier structure or on a unitary board, and that it was at Jones's insistence that the TUC representatives held out for the unitary option. The majority of Committee members were also persuaded that all board member representation would have to be through recognized trade union channels.

However, the CBI members of the Committee rejected both of these key points producing instead a Minority Report favouring a system of representation on lower-tier 'supervisory' boards, which today would be seen as a progressive proposal. This lack of consensus weakened the Government's resolve to legislate the Report's recommendations, but Lea recognised that if the proposals had been implemented there would have been many dilemmas still to be addressed. How would they operate in multi-national corporations. Where would other stakeholders (e.g. consumers) fit in? How could they be operated in the public sector? In fact, the 1977 Majority Report recommendations were shelved in the end because the unions themselves could not agree to back them. Indeed, there was probably not the will on either side to find a compromise as the entire Social Contract was coming unstuck with the pay element unravelling after two years of low wage settlements. The very tight third round (5% maximum at a time of rising double-digit inflation) could not be delivered by the union leaders

even if they had wanted to, and so the government had no interest in pursuing such radical and controversial industrial democracy proposals. This rejection of the Social Contract approach soon led to the renewal of unrestrained free collective bargaining and militant strike action in the private and public sectors in the winter of 1978-79, forever known as 'the Winter of Discontent'. This debacle in turn produced the Thatcher Conservative government in June 1979 and the rest is history.

Nonetheless, Lea's ardour for the Bullock proposals has not dimmed. He contrasted the atmosphere of those days, when the trade unions were regarded as an essential component of national economic strategy, with their position today. Sadly, it was within the trade union and labour movement itself that there were the greatest misgivings about the Bullock approach to co-opting union officials to the boardrooms. He still thinks that Labour governments since have been too wary of such essentially social democratic concepts. This, he believes, is because they have adopted a caricature of the 'benighted decade of the 1970s', in which nothing good happened. Also, they have been discouraged from revisiting those ideas as City interests have had too great an influence in government circles. But, he thought that, as 'the City nowadays doesn't lay golden eggs but land mines', it might be possible to re-open consideration of industrial democracy ideas. The TUC and the Labour Party should put this topic right back on the agenda as, if anything, it is even more relevant in today's corporate climate: the massive payouts to failing and disgraced managing directors and chairmen by subservient Remuneration Committees; the gross and ever widening differentials between top executives and everybody else in companies; and the comparability leapfrogging by those in the upper 10% generally. He saw a bigger political picture here, central to income distribution in what has become two societies, which greater industrial democracy would help to address.

**Peter Ackers** led the discussion with some questions. He cited other voices which were then sceptical about the 'worker director' approach, such as Professor Hugh Clegg and his 'pluralist' industrial relations school epitomized by his saying that 'a trade union was an opposition which can never become a government'. The fact that Clegg's colleague at Warwick University, Professor George Bain was a signatory of the Bullock Report showed that there was a lively academic debate around these different viewpoints at the time. **[see Appendix for a longer statement]**

However, Lea felt that this resistance to change took no account of the benefits to workers from progressive legislation since the 1960s, e.g. contractual rights, redundancy payments, health and safety rights and occupational pension benefits. He questioned the 'purity of collective bargaining' ideology of both left and right, pointing to the long tradition of unions influencing affairs by other means and methods, e.g., in social insurance, skills, health and safety and so on. He recalled that the TUC office had produced a booklet on different trade union methods to make this point.

**Ackers** asked whether Bullock's recommendations were a compromise between the EEC and UK models of industrial relations? He felt that British union aversion to works councils was due to their reputation for undermining collective bargaining through shop steward committees. He

also asked whether some substructure for wages' and conditions' bargaining was needed to support the boardroom superstructure recommended by Bullock?

Lea felt that this would not work without leadership from the top and he did not expect workers from the shop-floor to come up with anything spontaneously for the running of companies. This reveals the gulf which existed between the TUC and shop steward movement of that time, whose fundamental criticism of the Social Contract deals was that they were too top-down and did not have the wholehearted agreement of the 'rank and file' workers.

**Ackers** also wondered whether, if the Bullock Report recommendations had been successfully implemented, they might have averted the collapse of the Social Contract and the breakdown in industrial relations in 1978-79.

Lea recalled that at that time nobody expected that Mrs Thatcher and her brand of conservatism would ever have come to power. He felt that it was the unbalanced nature of the economy which had prevented the Social Contract approach getting a fair chance, but its breakdown did present her with the opportunity to try her very different approach.

**Michael Gold** asked whether Britain's admission to the EEC in 1973 had influenced the Bullock Inquiry being set up. It is clear from their terms of reference that the very different European practices influenced policy-makers and the Bullock recommendations.

Lea referred to the more recent ICE Directive on Works Councils, but there had been little take-up in Britain. He felt that the dominance of finance capital had been a key force in restraining the development of industrial democracy in the UK.

**Chris Weston**, asked how Jack Jones was able to get his way with the General Council of the TUC, given that such large affiliates as AUEW (Hugh Scanlon) and GMWU (David Basnett/Larry Whitty), were against.

Lea thought they 'looked the other way' in deference to Jones, but **John Edmonds** (a subsequent leader of the GMB) disagreed that they were 'against'. They accepted the general principle but wanted a stage of getting companies used to the idea. Lea also recalled that some small but influential unions, such as the POEU, were very keen [**note:** they had worker directors on the Post Office and the separate nationalized British Telecom Boards]

**John Lloyd**, who wrote the EETPU submission to Bullock as a young research officer, said that their opposition to the worker director proposals was based on a belief in the inherent contradiction of worker directors taking decisions contrary to their worker colleagues as collective bargainers. They took no account of shop steward power and activity at the time. He did, however, see an educational and informational opportunity in works councils.

**Robert Taylor**, a leading labour correspondent in those days (*Financial Times*), criticized the narrow terms of reference of the Inquiry as having inhibited greater debate. He asked why the public sector/nationalized industries had been excluded from its remit. He referred to

experiments with worker directors in iron and steel which should have been examined. He also asked why the TUC had rejected the Minority Report.

Lea put the TUC's rejection of the minority proposals down to Jack Jones's hostility to considering them. He (Lea) had to mediate between Jones and Michael Foot over arguments on each line of the Bullock Report. Jones was particularly rigid on the '2X + Y' equal representation formula.

The chair, **John Edmonds**, said the unions never expected the debate around the Bullock proposals would end so quickly and felt that with time they could have been extended to the public sector. Despite the economic crisis in the last couple of years, there has been no real movement in the UK to respond to challenge the status quo, especially evident in the current Labour Party leadership election where animal welfare seems to have featured more prominently!

### **Historical notes**

**The Social Contract** After a period of militant confrontation with both Labour and Conservative governments in the late 1960s and early 1970s over the statutory restraint of incomes policies, the unions frustrated all proposals to impose such policies or to control union power within a new statutory framework. In fact, two governments, one Labour and one Conservative, fell, chiefly over their attempts to impose those policies in pursuit of Britain's continuing economic difficulties. Edward Heath, as Conservative Prime Minister, had just lost a 'who governs' election, called to overcome union actions – a successful national coalminers' strike and crippling action by the power workers which precipitated a 3-day working week. He lost that February 1974 election, but the resulting Labour Government had just a tiny majority, were eager to placate the unions and so changed their approach entirely. At the same time, many of the key union leaders in the TUC also adopted a more cooperative approach with this friendly Government and intensive negotiations took place under the auspices of a Liaison Committee of the Labour Party and the TUC.

This issued in a formal and solemn 'Social Contract' under which the Government agreed to legislate for a range of 'social wage' benefits in return for a voluntary restraint in pay, with maximum increases (£6 per week) skewed towards the lower paid and poor pensioners. An indication of this most radical deal ever in peace-time (it was modeled on war-time precedents), will be seen from the gains achieved by the unions for all workers. These included a new tripartite dispute resolution agency (ACAS), headed by a former union leader, with terms of reference based on a remit to promote collective bargaining. ACAS Codes of Practice on disciplinary and grievance procedures also set new standards for employers. They also established a tranche of radical new employment protections for workers, (e.g. unfair dismissal rights with industrial tribunal enforcement). They legislated for tough health and safety provision, enforced by safety representatives at the workplace, and a tripartite Health and Safety Executive 'with teeth'. One of the less known but far-reaching changes was the Pensions Act 1975, which set up a second tier earnings-related state pension for all workers with the

potential to add 25% of earnings to the basic pension. Equally advanced was its partnership with occupational schemes, which led to a massive extension of collective bargaining to final salary occupational pensions especially to manual workers, which for the first time also gave them and their families access to significant death in service cash sums and early retirement benefits. Pension fund trustees elected from the workforce was another feature. In a sense, then, the Bullock recommendations for worker directors was a logical extension of this 'New Deal'.

**Jack Jones (1913-2009)**, had risen to power in the T&GWU during the late 1950s and early 1960s as the official voice of militant 'shop floor' representatives. After he became General Secretary in 1969 he pursued a left-wing course which encouraged militant tactics by his negotiating committees and officers, with considerable success. This established the 'T&G' as the most powerful union in the country, in almost every industry and region of the UK, with over 2 million members by 1977. Together with the late Hugh Scanlon (1913-2004), left-wing leader of the other major manufacturing union the Amalgamated Union of Engineering Workers (with over 1 million members), they swung the entire union movement to a more assertive stance than ever before. It was Jones alone, however, who made the running on industrial democracy. Although a Communist in his early days, Jones's ideas of power-broking engagement with the state and employers were more deeply influenced by the T&G tradition of Bevin and Cousins. He was also close to one of the Marxist 'think tanks' of the period, the Institute of Workers Control, which advocated that far more radical approach. A full biography of this outstanding post-war union leader is much needed.

## **Report and notes by James Moher**

### **Appendix**

#### **The 1977 Bullock Report on Industrial Democracy: a historical view from academic industrial relations**

**by Peter Ackers**

The 1977 Bullock Report recommended a system of worker directors on the boards of large private companies. Although the report was never translated into practical IR policy, it took place at a key moment in the history of British industrial relations (IR), during the 1974-79 Labour Government's Social Contract, shortly before the election of the 'New Right' Thatcher Conservative government. Reading the report and surrounding debate today, it is clear that there was little sense then of an approaching turning point in IR history. Indeed, there was a confident feeling that strong trade unions were a permanent and growing feature of British society and that any foreseeable approach to worker participation would have to centre on them. In this respect, historical reflection on Bullock illuminates three inter-related areas of post-war British history.

First, Bullock sheds light on the history of British trade unions. Unions were at the height of their strength and influence in British society and Bullock recommended their involvement in board-level discussions about corporate strategy, as not only a means of giving employees more 'voice' in the running of business, but also a way of improving relationships at work and thus increasing efficiency and productivity in the British economy. A major influence on Bullock was the system of Co-Determination in the highly successful West German economy and a similar Swedish system. However, the 1978-79 'Winter of Discontent' saw major strikes in the public sector, followed by the election of Mrs Thatcher's Conservative Government determined to reduce 'trade union power'.

Second, Bullock was the highpoint of a twentieth century public policy approach to managing workers through trade unions that went back to the Webbs' 1897 classic *Industrial Democracy*. The 18 years of Conservative rule after 1979 not only witnessed a dramatic decline in general trade union membership and influence, but also the replacement of this idea of industrial democracy with the more managerial notions of 'Employee Involvement' (Marchington et al 1992, 2001). So Bullock was very much a historical 'road not taken' – as British society went off in a much more free market, individualist approach to managing people at work.

Third, and again with hindsight, Bullock was the last major gasp of 1970s 'pluralist' IR policy.

I am currently writing a biography of Professor Hugh Clegg, one of the key IR academics and policy makers of the post-war era (Ackers 2007). Clegg and his close colleague, Alan Flanders, had long argued that collective bargaining through trade unions or 'joint regulation' was the best approach to achieving industrial democracy (Clegg 1960). Moreover, a trade union was 'an opposition which can never become a government' (Clegg 1951: 22); so unions should not become directly embroiled in the corporate management of business organizations as worker directors. Clegg maintained this stance on Bullock, but one of his leading colleagues, Professor George Bain, was a signatory of the Majority Report. Much of the academic and trade union debate around Bullock was between pluralists who felt worker directors would undermine the independence of collective bargaining and pluralists who felt that Bullock was a natural and further development of collective bargaining (see Benedictus et al 1977).

History & Policy links academic historians and policy makers in general while the Trade Union Forum – sponsor of this recent seminar with Lord Lea - focuses on the links between academic work on trade unions and active trade unionists. While Bullock was never implemented, some of the ideas about partnership between trade unions and employers remain important in current academic and public policy debates. By reflecting on the Bullock experience we may better understand the past - what the real prospects were for industrial democracy in 1977 - but also learn lessons for the future of British trade unions, worker participation and academic IR.

Here are a number of historical questions, some of which came up directly in the seminar, others which I think historians will find of interest, including some 'what if' counterfactuals:-

1. Why did the debate about industrial democracy take this form at this time? And how and why did the TUC change its mind to embrace worker directors in 1970s?

2. What were the main arguments over Bullock's version of industrial democracy in the trade union movement?
3. Was Bullock a further development of British IR pluralism and voluntarism after the 1968 Donovan Report on Trade Unions and Employers Associations, or a break with it?
4. Was Bullock the 'last chance' for pluralist British IR reform – before Thatcherism - or was it already 'too little, too late'?
5. If enacted, would Bullock have delivered partnership and efficiency or merely have raised IR conflict to a higher level, as Currie (1979) has suggested?
6. Was the British trade union movement in 1977 ready for a stable 'social democratic compromise', which traded industrial peace and co-operation for influence over corporate policy? How likely is it that the Bullock formula have worked/ transformed British IR?
7. Could a broader consensus on Bullock (including the business minority) have carried public and business opinion and pre-empted the hostile CBI campaign?
8. Would a model closer to German co-determination (supervisory boards, works councils etc) have been more persuasive than the union 'single channel' proposed?
9. What are the lessons for current debates about corporate governance, partnership, EU works councils? In short, what can be salvaged from the ashes of Bullock?

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